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ABSTRACT

Written and oral testimony presented in this document concerns legislative and policy considerations for achieving full employment. Although the Reagan Administration cites a low unemployment figure for the nation, there remain almost eight million persons out of work and more than a million "discouraged workers" who have given up trying to find work. Five million others work part-time only because they cannot find full-time jobs. For blacks, women, and the elderly the employment situation is worse. The country needs a comprehensive policy to put people back to work. Testimony and written statements were presented to the hearing, some in favor of new policies and some in support of the present measures that are in place to reduce unemployment. The bill under consideration is the Economic Bill of Rights Act. It calls for appropriate Executive action to secure the right of employment and to give special attention to neglected mandates of other employment bills. Much of the testimony offered partisan opinions on the state of the economy, on the way that labor issues have been handled in previous Democratic and Republican Administrations, and on legislation and policy already in force. Proponents of new policy want a more aggressive commitment to implementing full employment. (VM)

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ACHIEVING FULL EMPLOYMENT: LEGISLATIVE AND POLICY CONSIDERATIONS

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HEARING

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, SEPTEMBER 30, 1987

Serial No. 100-48

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ACHIEVING FULL EMPLOYMENT: LEGISLATIVE AND POLICY CONSIDERATIONS

WEDNESDAY, SEPTEMBER 30, 1987

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room 2257, Rayburn House Office Building, Hon. Matthew G. Martinez (chairman of the subcommittee) presiding.

Members present: Representatives Martinez, Hayes, Owens, Jontz, Gunderson, Grandy, and Hawkins (ex officio).

Staff present: Eric Jensen, Bruce Packard, Tammy Harris, and Mary Gardner.

Mr. MARTINEZ. The Chair would like to announce that Mr. Simon, who's scheduled to be our first witness, has just arrived at the airport and he's on his way here. So I'll read my opening statement and if he has not arrived by the time I'm finished, we'll take the first panel. But I would say to the first panel that if Mr. Simon does come in, you have to understand that he's a presidential candidate, he has a tight schedule and has to appear in many places at one time, so we'll take Mr. Simon when he comes in and then we'll go back to you.

With that I'd like to introduce some of my colleagues that are with us here this morning; the Honorable Chairman of the Full Committee, Gus Hawkins; a member of our committee, Jim Jontz; another member of our committee, Major Owens; and the ranking subcommittee member is to my right, literally to my right, Mr. Steve Gunderson; and to his right is Mr. Fred Grandy.

With that I'd like to get right into the hearing. The reason we called this hearing here today is to receive testimony on how to achieve full employment in our Nation. Something, I might add, that was a dream of the administration when it took office, a dream that has still not been accomplished.

We'll examine general policies as well as specific legislative proposals targeted for full employment, including H.R. 1398, the Quality of Life Act; H.R. 2870, the Economic Bill of Rights Act; and H.R. 2197, the Guaranteed Job Opportunity Act.

Today's hearing takes place at a time when there are an astronomical number of people unemployed, causing a drain on our economic productivity. Our Nation is reeling from the effects of a runaway budget deficit, which has increased steadily over the past 6

years, and a burgeoning trade deficit which is destroying our Nation's manufacturing and industrial base.

Currently there are nearly 8 million Americans unemployed in the Nation, with 1.2 million Americans who are discouraged from finding work. Some 5.5 million Americans must work part-time because they cannot find full-time jobs. If the unemployment figures would include the discouraged workers and the full-time workers who must settle for part-time work, the unemployment rate would be closer to 11 percent in the Nation.

In addition, for Blacks in this country, the unemployment rate is at 15 percent; for Black teenagers its 40 percent; for Hispanic adults, almost 11 percent, and for Hispanic teenagers, the rate of unemployment is 24 percent. It's important to note that all of this unemployment data published by the Government does not reflect the high numbers of Americans who, despite holding a job or part-time job, are still living below the level of poverty, and thus cannot provide adequately for their families.

The plight of women workers and the elderly has also grown worse. It is estimated that 72 percent of the Hispanic female heads-of-households live in poverty. It's further estimated that by the year 2,000, fully 100 percent of all families in poverty will be comprised of single women head-of-households. The elderly have become a permanent feature of our demographics for poverty households. Despite the willingness to, the elderly are having difficulty finding work in their retirement years to either care for themselves or to supplement meager incomes.

Clearly, something has to be done. It is now commonplace for certain officials to assume a 6.7 or 6.8 percent unemployment rate to be an acceptable figure. It is called a trade-off, and these officials are cautiously willing to accept it to justify our gross overexpenditures in absence of a balanced budget policy. This appalling lack of leadership will lead us to National and World disaster unless we do something, and do something soon.

Beyond contributing to human capital erosion in our economy, this seat-of-the-pants approach towards concerns of full employment reflects a deeper neglect of our National spirit. The same officials refuse to see the human suffering that this statistical profile of underemployment and unemployment represents. We hear constantly the anecdotes about how the unemployed and the street people choose to be disenfranchised in order to take advantage of the good soup kitchen deals.

I find this a totally mean-spirited and arrogant behavior on the part of the current policy makers. It is my belief that by 1988, if not today, our nation needs new ideas geared to the challenges of the present and the future. I hope that these new ideas will not be single-minded repackaging of the supply side economics, stressing spend-now-pay-later deficit spending, nor duplication of the New Deal, the Fair Deal, or the Great Society. We must revive and extend the moral values that lead to our past National prosperity and prestige. We can achieve these values and goals by rethinking and reformulating, rather than forgetting and discarding, many basic concepts of the past.

Key components for a full employment strategy must be a right to a job, getting all able bodied individuals to perform meaningful

work, eradicating discriminatory barriers in the work place, adopting a full employment (but balanced) budget, and getting the most out of private/public sector initiatives. Our Nation needs a comprehensive policy that will put our people back to work and help us regain our lost position in world competitiveness. New ideas mixed with traditional values and programs that work are what our Nation so critically needs today.

I look forward to hearing from our distinguished witnesses today, who will share their ideas with this subcommittee.

With that, I would like to turn to the ranking minority member, Mr. Gunderson, and ask if he has an opening statement at this time?

Mr. GUNDERSON. An opening statement or a rebuttal, Mr. Chairman? [Laughter.]

Mr. MARTINEZ. Rebuttal.

Mr. GUNDERSON. I join with you in welcoming all of our witnesses here to the hearing today. I think it is only proper that this particular subcommittee on employment opportunities ought to continually review and reassess the options and opportunities for employment in our society.

I guess where you and I come from different prospectives, is that as I look at the environment in which we are having this legislation and this hearing before us today, I'm much more optimistic than you.

I remind you and I remind all here today that we are now in the 59th consecutive month of economic growth. We have broken all historic records for consecutive economic growth. And more important than that, we have created far more jobs in the last seven years in this country than the New Deal ever thought of creating. And I think we have to put that in prospective.

As we gather here today we are gathering with between 13 and 14 million more American jobs than we had in 1980. And I think if we are gathering today, we perhaps ought to gather to celebrate the accomplishments we in this society have made between a partnership, a partnership focused on education; focused on industry; and focused on Government. And in particular that would lead me to believe that the real answer is to continue the path established four years ago, approximately, with our distinguished Chairman and others who developed the Job Training Partnership Act. The Job Training Partnership Act is exactly that vehicle which is needed to bring the full employment opportunities in our society to those who have not yet received its benefits.

I come from a rural area. Certainly we have experienced our share of that "lack of growth" that the Nation as a whole has experienced. You mentioned the minority populations, which have witnessed that as well.

I would point out that in the midst of all of that, this Administration in their budget proposal, and now in the Trade Bill that is in Conference, has requested a tripling of the amount of money that would be spent on an annual basis for the Dislocated Worker Program authorized under the Job Training Partnership Act which I think is very significant. Because through programs such as this, we don't simply create jobs, but we provide the training for jobs

that exist in that particular region or community, jobs that not only make one employable but make them employed.

And I would hope that as the result of today's hearing we would continue to focus on that which has worked so well over the last seven years, improve on it if we can, but not lose sight of the path which is moving us towards the success we all seek.

Thank you, Mr. Chairman.

Mr. MARTINEZ. Thank you, Mr. Gunderson.

And you know, the wonderful thing about being a chairman is that you always get the last word.

More jobs? Absolutely at $3.85 an hour, where the jobs these replace paid $15.00 an hour.

The idea is that the economic recovery has only benefitted the top level of people in this country. It's the old saying the rich get richer, and the poor get poorer. The separation of haves and have-nots now is greater. There are more people living in poverty line than ever before. The number of unemployed, regardless of the percentage number, is greater than it ever has been in this country also.

But I think there is someone who can as ably rebut that statement as I, and that's the Honorable Chairman of the Full Education and Labor Committee, the Honorable Gus Hawkins. And at this time I would turn to him for an opening statement.

Mr. GUNDERSON. Or a rebuttal, Mr. Chairman.

Mr. HAWKINS. Rebut the rebuttal?

We're starting out, apparently where we were many years ago, and I don't want to rebut on someone on the spot. I would hope that with good Republican support that we could move on and achieve full employment.

The full employment objectives obviously are about a decade out of step with the actual law itself. And I think we should remember that full employment is the law of the land, and it doesn't depend on who's in the White House, but it depends on achieving the objectives of what the law says already.

I would hope that one of these days we would attempt to achieve it. I simply came in, Mr. Chairman, because I do have an appointment which will cause me to leave early, but I did want to pay my respects to many of those witnesses today, who through the 1960's struggled with us to enact a full employment law and hopefully to achieve it. Our colleague, Mr. Hayes, and I have introduced a bill which I think will help to facilitate achieving full employment.

And may I say to the more conservative members of the committee, that we hope to do that through the private sector. It's not just the creation of jobs. The present Job Training Partnership Act, which came out of this subcommittee originally, was terribly emasculated, is on the statute books but it reaches only about three or four percent of the target population. That means that over 90 percent of those who could really profit from training are not even being reached. And rather than engaging in a lot of name calling, because I disagreed with President Carter, so this struggle has gone on through both Republican and Democratic Administrations as well. I think the time has come, or the time will come if it hasn't already reached us, when in order to really protect the economy

and to really put this country ahead, we're going to have to get back to full employment.

And I want to applaud you and the members of this committee for moving ahead. I hope that we can get something out of the subcommittee that will facilitate moving the subject to the top of the agenda and complying with what the law already states is the law of the land. That includes all of the members of this committee. Rather than name calling, I think the time has come for us to work on substance rather than a lot of style and get ahead in this particular field.

And I thank you. I see our Senator has arrived, one of the true supporters of full employment. He realized it through the 1960's when we were struggling, but there weren't too many even on this committee who felt and believed in full employment. And so I commend you, Mr. Chairman.

Mr. MARTINEZ. Thank you, Mr. Chairman.

For the next rebuttal we'll hear from the Honorable Fred Grandy.

Mr. GRANDY. Mr. Chairman, I think that it is probably more conducive for me as a junior member of this committee to listen rather than to lecture. So I would yield back to the distinguished Chairman and hope that we could hear from Senator Simon before Mr. Gunderson and I have to leave at 10:00 o'clock.

Mr. MARTINEZ. All right.

Thank you, Mr. Grandy.

Do any of the other members of the panel have opening statements?

Mr. HAYES. I just wanted to say, Mr. Chairman, as one of the cosponsors of the new legislation that the Chairman of our Committee, Congressman Hawkins, alluded to, the Economic Bill of Rights—I don't want to engage in any kind of a rebuttal arrangement with my colleague from Wisconsin. But I just do want to let it be known that he needs to move up to the times we live in.

One of the problems in trying to get some action on this kind of legislation directed towards full employment is the failure to recognize the severity of the problem we have on unemployment. It's much more serious than seemingly this Administration is willing to admit. We play with figures. They come out every month, unemployment hovering around 6 percent. But the reality of that situation is that it does not include people who've already exhausted their unemployment compensation or stopped looking for work, or those people who are employed part-time, and those who are receiving incomes that are below the poverty level. So for those people who are totally unemployed, looking for jobs, ready and willing to work and can't find jobs, they're living in the throes of a depression.

As we talked about reducing this huge deficit that this country is operating under, one of the best ways to do it is to put people to work. The Government even admits that. For every one percent reduction in the unemployment rolls, we reduce our deficit by some $40 billion. There are two ways we do it. They start paying taxes, and the other way is that they get off of—some of them who are on some kind of Government funded program, public assistance and this kind of Federal Program they come off of those roles when

they become employed, and employment, that's the way to reduce the deficit.

I want to commend you Mr. Chairman for having scheduled this kind of hearing. This hearing in Washington, our Nation's Capitol, may be the beginning of a rise in our legislators awareness, as to how serious this problem is and the public in general to these issues as we travel around the country. And it's really serious among our Black community, our Black youth, and our Brown community, and our Brown youth.

We've got to do something about it, and I think this is a good beginning, and I hope it will result in some meaningful legislation directed towards full employment.

Mr. MARTINEZ. Thank you, Mr. Hayes.

Mr. Owens?

Mr. OWENS. I yield to the Senator from Illinois.

Mr. MARTINEZ. Mr. Jontz?

Mr. JONTZ. The same.

Mr. MARTINEZ. Very good. Thank you.

Senator Simon, welcome. Why don't we get right into your testimony?

Your prepared statement will be inserted immediately following your oral presentation.

STATEMENT OF SENATOR PAUL SIMON, FROM THE STATE OF ILLINOIS

Senator SIMON. Thank you, Mr. Chairman. I thank you and it's a pleasure to be appearing before the Subcommittee on Employment Opportunities on which I used to serve. I have had the privilege of serving in the House with all of you, with the exception of Mr. Grandy and Mr. Jontz, on this committee.

I think we have to face the fact that we have a very serious problem. And unfortunately, comfortable America isn't aware of the problem as it should be. Back in 1946 we declared as a part of National Policy that we were going to provide a job for every American. Then, a few years ago we passed the Humphrey-Hawkins Bill. And our colleague, Representative Gus Hawkins, was one of the leaders and was a giant in this whole full employment issue.

But where are we today? Well, we're enthusiastic, or a lot of people are when we hear about a 5.9 percent unemployment rate. First of all, one of the things that's happened under this Administration is we've added those in the Armed Services into the figure. So that has reduced unemployment little. But the Bureau of Labor Statistics says today there's 7,948,000 men and women out of work who are looking for work. You have another 1,168,000 by their count, who are called the discouraged workers. They're no longer drawing unemployment compensation. They're no longer showing up at the job office. They've just given up. And you have about 5.3 million Americans who are partially employed, who want to work full-time, who can't.

I think by a conservative estimate, we have 10 percent employment and 10 million people unemployed. I think that is conservative. Our friends in the AFL-CIO—I'm pleased to see the distinguished President of the Communications Workers here, right in

back of me says it's 12 percent. Let's be conservative and make it 10 percent. I think that's a real figure.

And these are not just statistics. It's the man in Hanover Park, Illinois, who phoned me, who had a small business that failed. He's 53 years old and he says, at the age of 53 you can't get a job anywhere. And he started telling me about his family finances, and the mortgage payments, and then he says my 16 year old daughter is threatening to commit suicide because of family finances. And then he asks the question, does anyone care. Only he really wasn't asking a question. He was really saying, no one cares.

It's a young man who came to my Chicago Office door, in fact I had him testify before my Senate Subcommittee. Charlie Hayes, you were there when Willie Morris testified. He knocked on my office door, desperate for a job. I asked him a little information about himself. He lives with his mother and his five younger brothers and sisters. And the day he talked to me he said, last week I didn't eat two days. He said, my mother doesn't know it, but I didn't want to be taking food away from my younger brothers and sisters. The United States of America. It's 1987. It just does not need to be.

Well, what do we do? You have two trend lines in this country that we haven't paid attention to. One is the demand for unskilled labor is going down. That trend line is going to continue. That's going to continue in Indiana, and California, and Illinois, and New York, and Wisconsin, and Iowa. The second trend line is the pool of unskilled laborers going up. And since we're not going to let people starve, we face a choice of paying people for doing nothing, or paying people for doing something. And it just seems to me we're infinitely better off paying people for doing something.

And so the bill that I've introduced in the Senate, and Congressman Hawkins has introduced in the House, has said let's pay people for doing something. Anyone who's out of work five weeks—and incidentally one of the big differences in our bill and a lot of others is we don't wait until people get impoverished. Once you're out of work five weeks, you can be helped. Once you're out of work five weeks, you can't get a job in the private sector, then you would get a job either at 32 hours a week at the minimum wage or $464.00 a month, or 10 percent above welfare or 10 percent above unemployment compensation.

That's not much money. But let me tell you, $464.00 a month, even at the present low minimum wage, is higher than the average welfare payment in all but three States. The State of Illinois, in which Congressman Hayes and I live, pays the average welfare family $289.00 a month. The State of Mississippi pays the average family on welfare $92.00 a month. You tell me how you can live on $92.00 a month. You know, you're just inviting problems. So $464.00 would be a great improvement.

And then here's what happens. You have a local committee of 13 people who select the projects. And then as people come in they are screened. And if they don't know how to read and write, we'll get them into an education or training program. If they read and write at the third grade level, we'll get them into a remedial language skills program. If they can't speak the English language, we'll get them into an English language program. If they have no market-

able skill, we'll train them. That way we invest in the human resources. That's what Japan has done. That's what we're not doing in this ccuntry.

We are great at investing in military hardware, but not good at investing in the human resources. We spend 6.7 percent of our GNP on the military. Japan spends one percent. And one of the things I do, I'm out on the campaign trail right now, these days. I guess that's no secret. One of the questions I ask audiences, I say how many of you regard Japan as a weak nation? I have yet to be before an audience where a single person has raised his or her hand.

Mr. MARTINEZ. Might I interrupt for a minute?

They have no Navy. Point, no military strength really, and still they are considered strong.

Senator SIMON. Yes. I'm not advocating getting rid of the Navy. [Laughter.]

But clearly we have to invest in our human resources. If you were to cut the unemployment rate in our Nation in half, we would still have an unemployment rate higher than Japan's, higher than Taiwan's, higher than Switzerland's, higher than a host of other countries. Very roughly, 10 million people unemployed means twice the population of Switzerland, unemployed.

If tomorrow, all of a sudden, we found out that Switzerland had a massive problem and no one working over there, our churches and synagogues would be raising money. We'd have things—the Rotary Clubs would be working on it, the United States Government would act. And here we have, within our own country, twice the population of Switzerland unemployed, and we're not paying attention to it.

In 1968 the poorest fifth of U.S. families had 91 percent of the money needed for basic requirements. Fifteen years later, now, that is down to 60 percent. One of the things that's happening in our country is that we have a shrinking middle class. A few people moving up, a lot more people moving down. Now there are two ways you can solve that problem. You can solve it by bringing people on the top down, or you can lift the people at the bottom.

And what I want to do is lift the people at the bottom. And I hope that one of these days we're going to have the compassion and the good sense to move in that direction. Thirty-four percent of those living in female headed families in this country today are poor, under the poverty line. The majority of those who are unemployed, the majority of those who are poor, are White. But Blacks are three times as likely to be below the poverty line, Hispanics twice as likely to be there. And, of course, female headed homes are much more likely to be below the poverty line.

I don't need to go into detail—I would like to enter my full statement in the record, too, Mr. Chairman. I don't need to go into everything else that goes with unemployment; crime, teen-age pregnancy, welfare dependency, etc. I'm reading articles these days about teenage pregnancy. One of the things I discovered as I was doing my book on the whole employment problem, in the State of Illinois, it didn't make any difference whether it was a White area, Black area, Hispanic area. When you saw unemployment go up, you saw teenage pregnancy go up. You want to do something about

teenage pregnancy, give people a chance—a real job and some education. Give them some hope. And you're going to see things change.

Anyway, I want to see a government that cares. I want to see a government that uses the common sense to invest in our people. And let me add one other statistic that should be obvious to everybody. Eighteen percent of the work force today in this Nation is made up of minorities. By the end of this century, which is not very far off, that's going to be 29 percent. If we don't invest in better education and better job opportunities, and invest in upgrading skills, and that's part of what this bill will do, we're making a dismal future for those people and for this Nation.

Let me stop right there. I'd be happy to answer any questions that you may have.

[The prepared statement of Hon. Paul Simon follows:]

TESTIMONY OF SENATOR PAUL SIMON

I am pleased to have this opportunity to return to the House Education and Labor Committee and to discuss with my colleagues what I believe is the most important challenge facing our Nation today—unemployment. Achieving full employment is the next logical step for an humane society and a society that intends to squarely confront the issues of competitiveness and productivity to take. We cannot be competitive or productive when 10 million Americans are out of work and represent a debit, rather than an asset to society. We must meet the challenge to put America back to work for a simple reason. We have two options—to pay people who are out of work for doing something, or to pay them for doing nothing. I prefer to pay them for doing something.

The Full Employment Act of 1946 declared a national commitment to providing jobs for every American who was able and willing to work. Since 1946, the Congress has enacted laws declaring a "war on poverty" and has reaffirmed its commitment to full employement by enacting the Humphrey-Hawkins bill. Under the able stewardship of the outstanding chairman of the House Education and Labor Committee, we did pass the Full Employment and Balanced Growth Act. Unfortunately, our record since the passage of Humphrey-Hawkins in 1978 has not been good.

The Reagan administration takes too much comfort and pride in announcing a reduction in the unemployment rate from 6.1 in July of 1987 to 6 percent in August and September; or a 0.8 percent reduction in the unemployment rate compared to September 1986. These figures mask the real truth: (1) 7,948,000 men and women are out of work and want to work; (2) another 1,168,000 have given up their search for work and are no longer considered "unemployed," but as "discouraged workers;" and (3) there are another 5.3 million "partially unemployed" persons who are working part-time, but would like full-time jobs. There is a personal story, often a family story behind each of these statistics that must be the focus of our real concern.

We should simply stop talking about percentages and talk about people. For too long we have been long on words and short on work when it comes to eliminating unemployment.

I want to commend the chairman of the subcommittee, Mr. Martinez, for continuing to focus the Congress' attention on the plight of the unemployed. I also want to commend my colleague and friend Charlie Hayes for his leadership of the issue of unemployment. He has been a stalwart in the ranks as a labor union leader and now as a member of this committee and the House of Representatives. He represents the interests and concerns of the people of Illinois' First Congressional District very well.

Among the three bills before the subcommittee today is H.R. 2197, the Guaranteed Job Opportunity Act introduced by Chairman Hawkins. It is short on words—just 22 pages, which call for the establishment of no new Federal bureaucracy or agency.

It does address the twin problems of improving the education and employability skills of the unemployed, and guaranteeing a job to every American.

America's economy is facing two human resource trend lines—the supply of unskilled (and often uneducated) labor is going up and the demand for unskilled labor is declining. Betwen now and the year 2000, employment in professional and managerial jobs will increase by 5.2 million, while operative and laborer positions grow

by only 1.3 million. Minorities, especially black Americans and Hispanics, dominate this pool of unwanted and increasingly unused labor.

THE PROBLEM

Unemployment will not disappear by wishing it away, but by a policy of drift and hope, by making pious speeches about it. Doing a politically safe ballet dance around the issue will not solve it. We need to march on the problem because a massive waste of humanity is taking place each day, and that waste is slowly but certainly eroding our economic future.

The Nation heard editorial cheers when the unemployment rate dropped to 7.2 percent in 1985, but between the Great Depression and 1980 there were only 2 years (1975 and 1976) when the unemployment rate was that high. Although there has been some month-to-month variation in joblessness, the overall unemployment rate has increased by more than one percentage point each decade since 1950. Our colleague Senator Daniel P. Moynihan has accurately noted, "rates of unemployment that were thought intolerable in the early 1960's are thought unattainable in the 1980's."

Under the leadership of President Harry Truman, Congress passed the Full Employment Act of 1946, making a commitment in words to provide employment opportunities to all Americans. Truman then was worried about one million people unemployed. Forty years later, with ten million people unemployed, the hope and the promise of that act remained unfulfilled.

Nothing restricts the future as much as our failure to use our human resources more fully. Why has Japan made such tremendous strides, moving from income that was 5 percent of the average American's income in 1950, to 67 percent in 1984? Japan, a nation the size of California and half our population, has few natural resources. Yet Japan has surpassed most nations in economic growth through developing ideas and human potential. Japan has announced a goal of having the world's highest per capita income by the year 2000, and few contest that possibility.

For the United States to fail to understand the need to develop ideas and human resources much more fully is not simply economic folly, not simply lacerating ourselves with self-inflicting wounds, it is causing untold and needless agony across this good and rich land. Unforunately, most of us don't see the agony. In the play named for the lead character, Zorba draws laughs when he says the obvious to a man he meets, "We are strangers because we do not know each other." The agony of joblessness is a stranger to most Americans because we do not know it personally. We may experience it slightly through seasonal unemployment, through a temporary layoff, through a temporary transition period of a week or two from one job to another, but not the hard, real thing. Even if we do not encounter joblessness in its full harshness, it touches us every day in a multitude of ways. We face the indirect spinoffs from unemployment: high crime rates, and tax money going for welfare, prisons and unemployment compensation. But, for most of us, the confrontation with unemployment's grimness is distant, indirect. The ugly realities do not penetrate most middle-class homes.

Unemployment leads to poverty, and the poverty statistics are not pleasant. In 1984 one in every seven Americans lived in families that fell below the poverty line of $10,609 for a family of four. In 1968 the poorest fifth of U.S. families had 91 percent of the money needed for basic requirements, but fifteen years later that had fallen to 60 percent. Most of the poor are white, but blacks are three times as likely as whites to live in poverty; Hispanics are more than twice as likely. Thirty-four percent of those living in female-headed families are poor. The only good news in poverty statistics is that the percentage of elderly Americans living in poverty is declining. Older Americans are being lifted by Social Security and programs like Supplemental Security Income. But those over sixty-five are only 14 percent of our population. For the non-elderly poor in our midst the main answer must be jobs.

In all, we have at least ten million people unemployed for significantly underemployed (working two days or less a week when they want to work full time.) Ten million people is almost twice the population of Switzerland. If Switzerland suddenly would have no employment, the U.S. Government would galvanize our resources to help the Swiss people. Lions clubs and women's clubs and churches and synagogues would volunteer help. As they should! But when more than twice the employable population of Switzerland is unemployed within our own borders, we have yet to make it a matter of major national concern. It is not a high priority for us. One-third of that ten million number fortunately are unemployed for less than thirty days, but the average length of unemployment had grown to more than fifteen weeks by 1985.

The figure of ten million unemployed is higher that the rosy official estimates of eight million but lower than the estimates of others. Dr. Leon Keyserling, once chairman of the Council of Economic Advisers for President Truman, believes the accurate figure today is closer to twelve million. No one knows the number precisely. Ten million unemployed may understate joblessness slightly, but it is probably close to accurate.

From 1979 to 1984, 11.5 million Americans lost their jobs because plants had shut down or move or modernized production techniques or because of decreased demand. Of that 11.5 million, more than a million have simply dropped out of the labor force. They are no longer counted among the unemployed. Of those who were able to find new jobs, over half found themselves earning less money.

The Federal Government estimates that more than two million women who were homemakers have suddenly found themselves divorced or widowed or abandoned. They generally have little or no paid work experience, in the sense of a nine-to-five job. Almost half of these women either are alone in their poverty or are part of a family with total family income below $10,000. They often have an extremely difficult time getting a job.

What is true politically is that the gravity of what unemployment means to those who face joblessness has not penetrated deeply—nor is there a widely held belief that Government action can change the picture much. Inaction is tolerated and the misery is accepted or ignored.

A 1980 study of 127 men measuring forty—two possible life-changing emotional events found loss of job trailing only two other experiences in its emotional intensity: death of a spouse or death of a close family member. A 1983 psychiatric study reached the conclusion that unemployment "has a profound impact on emotional and physical health."

Finally, the Reverend Dr. Martin Luther King, Jr., once said, "In our society, it is murder, psychologically, to deprive a man of a job or an income. You are in substance saying to that man that he has no right to exist." The Nation's highest commitment—our most important national goal—must be to guarantee a job opportunity for everyone who wants to work.

UNEMPLOYMENT IS EXPENSIVE

When the Bureau of Labor Statistics announced in January 1986, that unemployment had fallen (temporarily) to 6.6 percent, the New York Times editorialized: "Willing workers who can't find jobs are an expensive waste, and none are more wasted than the young trying to get started. Two of every five jobless workers in January were under 25. The unemployment rate of black teenagers increased in January 41.9 percent; the rate of black college graduates under 25 hovers near 17 percent, compared with less than 5 percent for whites." The editorial called for action against the "unsolved problems of economic waste and human misery."

When we fail to provide employment, the cost reach far beyond the jobless. Some have been documented recently with excellent reports produced by the Chicago Tribune, the Washington Post, CBS News and other news organizations.

In Peoria, Illinois, Caterpillar employed 32,770 people in 1980 but only 18,000 in 1985. That one company purchased $418 million in supplies from firms within a fifty-mile radius in 1980, $300 million in 1985. Real estate taxes paid in the three immediate counties dropped one million dollars over the same period. The value of homes plummeted. How many people in grocery stores and clothing shops and care dealerships and hardware stores lost their jobs as a result of the Caterpillar layoffs? No one knows. Thanks for hard work and good leadership, I sense that Peoria and Caterpillar are starting to rebound, but in the meantime, thousands of people have been hurt.

While the depression in sectors of the agricultural economy is not the same as unemployment, its economic impact beyond those immediately hit causes unemployment. In four years, employment at agriculture-dependent International Harvester (now NAVISTAR) dropped from 97,000 to 15,000. Small towns are devastated by the agricultural slump. The havoc of unemployment is more visible in a small community, but the economic suffering is felt in any community were there is joblessness, even though it is less dramatically visible than it is in Peoria and small communities.

Not surprisingly, areas of high unemployment are also areas of high crime. The cost of crime in economic terms is huge. The cost of crime in agony to the victims is even greater. By tolerating unemployment and the resultant proverty, we also tolerate a dis-unemployment and the resultant of poverty, we also tolerate a discouraging high crime rate. One of every 40 black men born in the United States will be

murdered; one of every 131 white men will be murdered. For women the statistics are better but not good.

Rockford, Illinois, is in many ways a typical American city of medium size (population 139,172), but a community that until recently had significantly above average income. The economic recession of the early 1980s, together with a depression in the machine tool industry, sent incomes plummeting and unemployment skyrocketing, according to the author of a comprehensive study of a new phenomenon in Rockford, "Youth gangs, youth offenders, and youth-at-risk." Unemployed youth want money, and if they have no alternative, crime is too aften the obvious answer. Unemployed youth have time on their hands and abudant energy, and when a job does not demand that time and energy, something else will. Sometimes they choose crime. During the past six years there has been both national population growth and growth in the total number of jobs, but the number of full-time jobs held by teenagers had dropped almost 30 percent, a major cause of crime. Children who grow up in families where no one works do not learn basic attitudes and work habits that are essential to performing effectively in our society. In a real sense unemployment can be "inherited."

The cost of joblessness in family breakups and child abuse is overwhelming, as studies have shown.

Business is harmed by unemployment. People who do not work do not buy new cars or air conditioners or suits. Tax incentives to stimulate business investment sometimes can be effective, but creating an econimic climate in which people are working and buying always stimulates the economy.

The Federal budget suffers. President Reagan uses the figure that one million people unemployed costs the Federal Government $28 billion. Others in his administration use the figure $35 billion. Let's be conservative and by that the Federal expenditure for food stamps, welfare, unemployment compensation, Medicaid and a host of other expenditures—plus loss of revenue—amounts to $25 billion for each one million unemployed. If we had programs that reduced the numbers of those unemployed from ten million to five million, the net savings to the Federal Government would be $125 billion, using the most conservative figure. Cutting unemployment in half would also result in a growth of our gross national product of at least 4 percent, or approximately $700 for every man, woman and child in the Nation. What a tremendous economic loss we suffer through our indifferent acceptance of high unemployment!

Even that great financial impact is not as important as the physchological cost. Three thousand years ago, Solomon told us: "There is nothing better than that a man should rejoice in his own work." Three centuries before Christ, Aristotle wrote: "The happy life is thought to be virtuous; a virtuous life requires exertion." And two hundred years before that, the famed lawmaker Solon warned, "An abudance of laborers should not be left idle." Plato wrote, "A state is not one, but two states, the one of poor, the other of rich men; and they are living on the same spot and always conspiring against one another." Machiavelli said much the same thing. To the extent that a government can avoid hopelessness among the poor—and reduce the number of the poor—the two states can become one state.

Those who are unemployed feel left out of society. They do not have a feeling of contributing, of belonging. Yes, they can vote, but in a very real sense, they feel disenfranchised. There is a growing sense among them that their voice is not being heard.

THE SOLUTION

I come to the conclusion that our free system can eliminate unemployment if we try and we must try. We have to make a higher priority of putting our people to work. Why does Japan have an unemployment rate of 2.6 percent, Italy 6.0 percent, Sweden 2.8 percent and Switzerland less than 1 percent when we have unemployment hovering around 7 percent even with our generous to-the-government way of calculating it? The major reason is that these countries have made a priority of putting people to work. The time is near when the United States can show that a free society can tackle unemployment and win.

An opportunity to work gives people self-esteem, something we all need, when self-esteem disappears, alternatives that are not good for society emerge. People without self-esteem cannot convey self-esteem to their children; people without hope cannot give hope to others. After more than three decades of public life and working with people who have every variety of problem, I have learned that the great division in our society is not between black and white, Anglo and Hispanic, Jew and gentile, or rich and poor. The great division is between those who have hope and

those who have given up. There is nothing like a job to raise self-esteem, to feel you are contributing something to society and your family. For too many in our society, hopelessness and joblessness are the same.

My proposal includes the following essential elements:

Employment—eligible participants will be hired on a project-by-project basis to work a maximum of 32 hours per week; pay will be at the minimum wage $3.35 an hour, $107.20 per week, or ten percent above the participant's welfare allotment or unemployment compensation, if applicable, and where the welfare alltoment or unemployment compensation due would exceed the minimum wage; the participant would continue to be eligible for a (minimum wage) Guaranteed Job Opportunity Program (GJOP) job should his or her welfare allotment be reduced or the unemployment compensation benefits expire. In unusual circumstances the District Executive Council may waive the 32 hour maximum if the Council agrees to such a waiver by a two-thirds majority vote, and files the reasons for the waiver with the regional office of the Department of Labor.

Testing and Education—All applicants will be tested for basic reading and writing ability, with basic skills instruction provided for those with limited or marginal skills, but who holds a high school diploma or a GED, and required of those with no high school diploma or GED. Those in the latter category will receive counseling and must attend evening or weekend classes until they obtain a GED. Bilingual classes will be provided for the limited English speaking and waivers would be made available for handicapped persons or those requiring special education.

Job Clubs—Will be formed to assist the resume preparation, the development of good interviewing techniques, and to provide feedback to club members on what each is doing in the job search process.

Benefits—Persons employed through GJOP will receive medical coverage, Social Security retirement and disability coverage, but will not receive unemployment compensation coverage.

Work Projects—Jobs will be decided on a project-by-project basis according to guidelines established by the Secretary of Labor. If an objection to a project is filed by 2 union representatives from the Committee, or by 2 business representatives, the project shall be vetoed. Supervisors will be assigned project-by-project and will be paid the local prevailing wage. Transportation and equipment may not exceed 10 percent of the total project cost.

Taking these steps would convert the national liability of unemployment into a national resource. Work opportunity for all can and should be the next great step forward we take as a society. Most of all, it's a question of priorities. The solutions are at hand. What we need is the resolve and the vision to use them.

Mr. MARTINEZ. Thank you, Senator Simon.

Right off the bat, I want to say I agree with you. I don't want to do away with our Navy, but the point is that if a country is economically strong, that's the real measure of strength in the world today. There are people that say, facetiously, that Japan lost the war, but won the peace. And that's because of the great economic growth and prosperity they have known. And you're right. They do things that we don't do. I guess for some reason in this country we still have the notion that we do everything better, we do it best. We better wake up that we're not doing it better and we're not doing it best in many areas. And that we've got to do something about that.

Senator SIMON. If I can just comment on that. You're absolutely right.

Let me just give you a very good illustration. The graduating class of MIT this last year, one-third went into military research. A similar graduating class in Japan goes into research in better toasters, better television sets, better refrigerators. I don't have too many friends who want to buy nuclear missiles. They want to buy toasters and television sets, and refrigerators. And guess who's walking off with the jobs. Our friends in Japan.

And I don't say that negatively. They're doing the sensible thing. We ought to be doing it.

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Mr. MARTINEZ. And we chastise them for that. We blame them for our trade deficit and we say it's because they're taking advantage of us. They're not taking advantage of us, we're taking advantage of ourselves. We're not developing our markets in foreign countries. We look, let's say, at a small number like the total population of Taiwan, and then say why should we build smaller refrigerators for that market, when we can build large ones for the market in the United States. And yet Japan builds what we need according to our market. And we haven't done the reverse kind of thinking there.

Senator SIMON. Absolutely correct.

Mr. MARTINEZ. I think that's very valuable testimony for this committee, and some members who are not here should realize what's happening in the United States. You mentioned one individual who talked to you. I have had similar experiences in Pennsylvania, Ohio, and places like that where the subcommittee has talked to people who have suffered through mass shutdowns of auto factories, steel factories, and the like. They tell very much the same story. They talk about working at one time for $15.00 an hour and having had aspirations of sending their children to college. Now, they're working for $3.00 or $4.00 an hour and their children are having to work to maintain their household and save that mortgage, rather than go to college.

The thing is, Charlie said earlier that reducing unemployment would reduce the deficit. Not necessarily. If people are working at a wage level that many of them are working at now, they're not going to be paying taxes anyway. So we've got to get them back to work at reasonable wages. That's one key.

But as you've traveled around and talked to people, do you get the feeling that they think they're better off today than they were eight years ago?

Senator SIMON. No.

Clearly there is a feeling of unease out there. And the point that you made is absolutely valid. Beyond that I would say the other thing that is still out there is the public myth, anybody who wants a job can get a job. I heard someone say that last week at a meeting I had in Iowa. And one fellow was down on the front row, and he got up and he was angry. And he said, let me tell you. He says, I lost my job in a steel plant 10 months ago, and he says, I can't get a job anywhere. He says, I'll take anything. He says, I thought I finally had a job as a security guard at a plant, paying one-third as much, and he says, I went there to get my job and they told me I was overweight. I said I'll lose whatever weight you want, but they said they didn't have time, they had to hire somebody right away. And he says, I can't even get that job paying one-third less. And he was angry.

People get angry at themselves. The suicide rate among people who are unemployed is much higher, the alcoholism rate. You talk about drugs. The very people who can least afford alcohol and drugs are the ones who are most prone to become addicted when they're out of work, because they are so down on themselves. They need something to lift themselves sometimes.

Mr. MARTINEZ. Let me ask you: along the same vein, as you travel around the country and talk to people, how important do

you think full employment is as a National issue? Have you met a great number of people who are as concerned about that as they are about whether Bork gets confirmed or not?

Senator SIMON. Well, right now, the Bork nomination is—quite prominent, particularly since I'm on the Judiciary Committee, gets a lot more questioning.

There is a concern and it is interesting, for example even in New Hampshire, which has two and a half percent unemployment rate today, people asking questions about unemployment. Do you know why? Because they're afraid of what is going to happen. As they should be.

One of the lessons of history is you can't live in splendid isolation from the problems of the rest of the Nation very long. It wasn't very many years ago Louisiana had a very low unemployment rate. Louisiana today—at one point I saw 17.7 percent unemployment rate in Louisiana. It's down from that now. But, you know, we're either as a Nation going to be doing much better, or these pockets that are doing well are not going to do well indefinitely.

Mr. MARTINEZ. Well, those pockets that do well they depend on other pockets too.

Senator SIMON. Exactly right.

Mr. MARTINEZ. And if the others don't do well, they'll drag the rest down.

Let me ask you one last question and then I'll turn it over to the rest of the panel. In terms of your bill, what will it cost the Government? And let's phrase this according to the realities that when we put people to work, they return tax money to the Government. And I always use as an example, one Job Corps study that Mathematica Incorporated did, showing returns of $1.48 for every dollar invested.

In terms of your bill, have you done an analysis of that? What's it going to cost initially, and what do the returns look like?

Senator SIMON. Okay.

Let me first say, when people say what does it cost, I have to ask the counter question, what does it cost not to do it? What does it cost in terms of continued high crime rates, all the other things that go with unemployment? So I think we have to balance that.

In terms of initial cost our bill, at the outside, would cost $8 billion. That's a lot of money. But I would add, that is one-fourth of the increase requested this year in the defense budget and about equal to what we have spent on "star wars." That is less than one percent of the total budget of this country. The question is really not cost. The question is whether we're going to make a priority out of putting people to work, out of helping people who need help, out of investing in our people. That's what we ought to be doing.

Mr. MARTINEZ. Thank you.

Mr. Hayes.

Mr. HAYES. I don't want to ask a question, Mr. Chairman. I do want to commend the Senator for his perseverance in this whole area of full employment, his pursuance of a course to try to get the Federal Government to direct its attention to what is a serious problem.

I'm not advocating either that we abandon our Navy and use that cost to help us reach a goal of full employment, because Japan doesn't have a Navy. I do advocate, though, that I wish Japan would stop borrowing our Navy to escort their oil in the Persian Gulf.

I want to say to you that, and this is over and beyond the hearing itself, as you go around the country you may understand that if my constituent, Jesse Jackson, doesn't get the nomination, I'm with you. [Laughter.]

Senator SIMON. If I can just add a personal note here, Mr. Chairman.

I've known Charlie Hayes a long, long time, back when he was an officer of the Packing House Workers. I can remember going to a meeting of the Packing House Workers and for some reason I had my wife and my two kids with me, they were very little then, and they sang the song, "Charlie Hayes is our leader, we shall not be moved. Charlie Hayes is our leader, we shall not be moved, just like a tree planted by the waters. We shall not be moved." Well, my kids picked that song up, and you know it's one of those things they just sang over, and over, and over. [Laughter.]

And when we have a family get together, we still sing, Charlie Hayes. [Laughter.]

Mr. MARTINEZ. That's neat. I have to remember that.

Senator SIMON. Charlie will sing it to you anytime you request it.

Mr. MARTINEZ. Thank you, Mr. Hayes.

Let me say, before I go to Mr. Owens, that you know, he's absolutely right. If we just reduce by a quarter of a percent all the defense spending, which you know is getting to the point of ridiculousness, we can afford this bill.

Mr. Owens.

Mr. OWENS. Senator, I'm going to ask a rather complex question.

I think Americans are alarmed by the fact that in the commercial sector we continually are losing, as can clearly be seen by the deficit in the balance of trade; the fact that the Japanese own eight of the ten largest financial institutions in the world is also another indication that ought to be clear to everybody. We're upset and alarmed about that. The fact that our plants have gone overseas, et cetera. We're upset and alarmed about the fact that our space program has come to a halt. And the shuttle tragedy revealed some glaring failures there and not too much is said about it, but if you'll read the documents related to the investigation by the Rogers Commission, you'll see that a large part of the problem in there is that they have run out of people who can replenish the technicians and the scientists. You know, the German scientists have all gone home or been pulled back, and for various reasons our space program has suffered as a result.

But even in the area of just technicians. The guy who watches the countdown of the fuel. There was one reference to them, that he suffered from fatigue. After several countdowns they didn't have anybody to replace him with. It's a relatively simple job, but they didn't have a technician to replace him with. So that's another source of alarm.

This week's Time Magazine discusses the Russian space program, and they have a very nice title that says, "Are we losing—" or are

they gaining on us. But if you read it you'll know they're saying in there that we've lost that battle and they're way ahead of us and gaining momentum all the time. In the area where we've set the highest priority, space was a high priority, the highest priority is the military, in the military hardware area. Not too much of that is working so well, you know. Even the MX missile, I understand that's not working that well, the highest priority of this Administration.

So people are alarmed and they have associated it with the problem in education, that somehow we're going to have to have the brain power to support these very complex modern requirements in whatever area, commercial, military, space, whatever. They've also accepted the fact that education is the key. We've begun to study the Japanese education system closely. And the people who've studied it closely have pinpointed that the key to the Japanese education system is in the preschool and the early years. I don't think that at large, American citizens know about that. But they've pinpointed that, that the fact that the preschool education carried out largely by the mother and the parents, is the key.

Now if you were to transpose that to our country and recognize and accept that that's the key to education, what happens in the early years, and that parents and the home and children play a very fundamental role there, then you've got to have stabilized homes and stabilized families. And the next step to that is you don't have stabilized homes and stabilized families unless you have income, unless you have jobs which are going to keep that family with income. And welfare income certainly is not enough to stabilize a family. In fact, most States require that you've got to have only one parent. So you take one parent away and destabilize the family automatically, by accepting welfare.

So is there any way we can simplify this complex message and get it out there that in order to save the Nation we're going to have to save the children who will be the ones who will provide the brain power? In order to provide that brain power, we're going to have to first stabilize homes. And many of the problems with teenage pregnancy, crime, a whole lot of those problems go back to the fact that in certain communities we've had a depression since the end of World War II. The high unemployment rate in the Black community has been there since the end of World War II. And it has destabilized families, wrecked families, and the way to begin is to get to some kind of guaranteed job program, stabilize families, get the education system going and move from there.

How do you get, out there hustling as a candidate, is there a way to get that message across?

Senator SIMON. Well, I have a—I don't mean to sound political here, but I think the answer is you need leadership in the White House that recognizes that and tells the Nation this. And you're absolutely correct in what you say. And we can't be looking for easy, dramatic answers; it's going to be a guaranteed job program, it's got to include preschool education. We know from the tests right in our own country, the Ypsilanti, Michigan tests, that an intensified preschool education program in disadvantaged areas has a dramatic change in drop-out rate, in teenage pregnancy rate, in the

crime rate. We know it. It's not theory. We know it. But we're not doing anything about it.

Having Morton Bahr right back here, the President of the Communication Workers, I can't help but think, we have seven million American homes that don't have a telephone. People can't call the fire department if there's a fire. They can't call the police if somebody's trying to break into their home. They can't call an ambulance if somebody has a heart attack. You know, just we saw to it that every home had electricity, we ought to see to it that every home has a telephone. We're going to put thousands of people to work when we do it. And we're going to be a better country all the way around. That ought to be—you know, everybody ought to have a telephone in their home. And you can structure it so that you can't make long distance calls if you're limited income, so that you're not going to have abuse that way.

So many things need to be done in this country.

Let me give you, in response to your question, just one other example. I was on a call-in radio program, and a young man called in and said I'm a college graduate and I'm on welfare, sitting at home doing nothing. Why don't we pay him to teach people who don't know how to read and write, how to read and write. He'd be better off. They'd be better off. The country would be better off. Those are the things that we ought to be doing. But you need National leadership that recognizes this. That really is the—and let me just add, since I'm addressing the only librarian who's every been elected to Congress in the history of the United States Congress, one of the things that we have to do is, just to encourage the use of libraries for adult literacy programs much more than we are. That's another thing. And we can tie in these guaranteed job programs with those library programs.

Mr. OWENS. The Japanese have 22 magazines which are aimed at parents of preschool children. Twenty-two magazines, national magazines and supported by the public.

Just one final question, Senator, and this is a simpler one and a shorter one.

Gorbachev is seeking to embarrass the United States by calling for a conference on human rights, where he might put things on the table like the right to employment, being a human right. There are some of us who don't necessarily want to embarrass the country, but who also believe that the right to a job or a job opportunity is a human right. We ought to have a move toward a Constitutional Amendment to make sure that that's clearly expressed.

What do you think of that proposition?

Senator SIMON. Well, I think we ought to be listening to the Soviets in this area. One of the things I've done, I've worked a lot on divided spouses, on problems of refuseniks, and when I meet with Soviet officials over there saying why don't you let—there's a man by the name of Naum Meiman I've been working on trying to get him the right to emigrate. And I work on these tragic cases, and one of the Soviet leaders said to me one time, you're better on individual human rights than we are. We're better on collective human rights. We don't tolerate the kind of unemployment that you tolerate.

I think maybe we can both learn from each other. I don't like the Soviet system. But the question arises can our free system guarantee a job opportunity to every American? The answer is, of course it can if we're just a little bit creative. We have so many things that need to be done.

Let me just give you another example. We've had a lot of flooding in this country. We had some recently in Cook County, Illinois. I was reading a study on flooding. Do you know one of the reasons we have so much flooding in our country today? We've torn down trees, put in parking lots and shopping centers and houses, and fields of soybeans, and so forth. What if we took people who want to be working, and they can't get a job, and we planted 200 million trees this year? We'd be better off five years from now, ten years from now in flooding. We wouldn't have to spend so much money with the Army Corps of Engineers for flood projects. You know, all kinds of things that need to be done.

Mr. OWENS. That is successful in Israel.

Senator SIMON. Is that right?

Mr. OWENS. The unemployed planting trees as part of their low rate of unemployment.

Mr. HAYES. Would the gentleman yield on that for just a minute?

I just wanted to make the point—you're looking at a person who set out trees as a part of the Civilian Conservation Corps during the Roosevelt Administration. That was my employment and it was a necessary function. And I just wanted to add that.

We need those kind of programs today. You're absolutely correct.

Senator SIMON. And let me add one other point, and then I will get out of your hair, Mr. Chairman, because I know you have a lot of other witnesses.

When Charlie Hayes was planting trees, he also had the opportunity to feel that he was doing something constructive for society. The great division in our society today is not between Black and White or Hispanic and Anglo, or between rich and poor. It's between people who have hope and people who have just given up. What we have to do is give people a feeling like they're contributing something. And nobody feels like that if they're just hopeless and desperate and you just hand them a check for doing nothing. They want to feel like they're contributing. That they're in a sense all planting trees. We ought to be planting more trees in a great variety of ways. Doing the things that need to be done to make this a better society.

I thank you all. I wish I were as confident of every vote in the United States Congress, as I am of the three of you. I'll tell you that. Thank you.

Mr. MARTINEZ. Mr. Simon, before you leave, I'd like to thank you for coming here and testifying before us again. We always appreciate your appearances because they're so positive.

And I would say that I know that you're familiar with the Conservation Corps Bill that we have passed out of the House twice now. The first time it was pocket vetoed by the President—I wanted to say Governor, because when he was Governor, he signed the exact same bill. Somehow in the years since his mind must have changed about it, and I don't know why. But at any rate, last year the Senate didn't move the bill. Now we're intending to move

that out of the House again this year, hopefully. And I'm confident that with you on the other side supporting it the way you do, it will move out of the Senate. Maybe this time, if the President does veto it, we can override that veto and put into practice what we have just talked about.

The other thing is, I'd like to say that the years that I served with you, coming here five years ago and serving with you for the first three years on Education and Labor, were real enjoyable to me. You were a spiritual leader when we needed it, and you were a strong, firm leader when we needed it. And if I've never said thanks for the encouragement and the leadership you've provided on that committee when you were there, I say so now.

Senator SIMON. I thank you very much. It's great to be with you. [Applause.]

Mr. MARTINEZ. Our next panel is Dr. Stanley Moses, Professor of Government Programs and Urban Planning, at Hunter College, New York; Dr. Richard Rahn, Chief Economist, United States Chamber of Commerce; and Dr. Bertram Gross, Economist at St. Mary's College, Moraga, California; and Mr. Morton Bahr, President of Communication Workers of America.

I understand that Dr. Gross is not here. So we have the three members of the panel. We'd like to start with Mr. Bahr, President of the Communication Workers. Your prepared statements will be inserted into the record immediately following your oral presentations.

STATEMENT OF MORTON BAHR, PRESIDENT, COMMUNICATION WORKERS OF AMERICA

Mr. BAHR. Thank you, Mr. Chairman and members of the subcommittee.

I appreciate the opportunity to testify on the serious problems facing American workers today and the need for strong leadership at the National level to correct this situation.

CWA is comprised of some 700,000 members employed in a wide range of industries including communications, public sector, printing and publishing trades, and health care.

One hundred years ago the American economy was dominated by a small number of families who made no apologies for their desire to totally control the market and accumulate the greatest possible profits. They learned how to substitute financial manipulation for production and in the process accumulated incredible wealth and power.

But from 1935 through 1965, between the Great Depression and the Great Society, a combination of political and labor organizations cut back on absolute and arbitrary corporate power. And though the economy expanded, along with American living standards, second and third generation families, while still powerful and rich, did not dominate the National economy in the same way that their grandfathers had.

The Reagan years, however, have seen the rise of a new generation of robber barons. Cloaked once again in the veil of unchecked competition, they like their predecessors a hundred years ago have been able to accumulate unlimited wealth and power.

Today we even find one of the most basic worker rights, the right to strike, completely undermined when employers hire permanent replacements. Not long ago, an employer would continue to try to reach a settlement throughout the bargaining process. But now they practically welcome a strike so they can arbitrarily fire all of their employees and substitute replacements. We even see corporations advertising for strikebreakers in the event of a strike, as part of their strategy to intimidate and control the collective bargaining process.

And thanks to technological breakthroughs in communications, and transportation and finance, these new robber barons can move their capital around the world 24 hours a day. Workers are told to compete not only with each other but with other plants in the U.S. or third world as wages are driven down while the power of capital increases. Corporate America's solution to the problem of competing in an international economy, lowering American wages to South Korea levels, and that's not the answer.

Auto workers in Michigan are told they are not competitive, as GM builds new plants in Korea and Mexico with one dollar per hour workers, but then finds $750 million to buy out Ross Perot.

Frank Lorenzo tells flight attendants and mechanics that they must settle for a 1970 standard of living while he counts his $2 billion for profits from mergers and buyouts.

Michael Milliken of Drexel, Lambert peddles junk bonds to finance deals for the new robber barons accumulating more than $1 million for himself in the process.

A debate that first began 100 years ago is being re-enacted. What kind of world do free markets produce? The new robber barons are merely the leaders of the new world economy. The competition and greed that they inspire, becomes a role model not only for their children but for ours as well. We begin to accept health care as a reward only for winners in the economic game and no longer think of it as a right. We begin to accept adequate and safe housing as something only the better paid among us should be able to buy. We begin to believe that the regulations and programs designed to protect working Americans no longer are worth the effort.

The attack on workers' rights today is more severe than it has been in 50 years. Living standards for workers and their families have declined while employment security and the right to organize on the job have all but disappeared in America today. The rights that were guaranteed to all Americans by our Nation's founders are being steadily eroded. The Bill of Rights is stolen from us each time as we pass through the factory or the office door.

Wealth and income in the United States are becoming increasingly polarized. Today, the old adage that the rich get richer while the poor get poorer is more true than ever. Vast personal fortunes are being made as workers' lives and communities are shattered.

As part of the effort to fight back against increasing worker abuse, a coalition of unions, religious, civil rights, women's, farmer and other organizations has formed under the banner of Jobs with Justice. The core of Jobs with Justice is the attainment of three simple and basic rights: The right to job security for all American workers, union and unorganized; the right to an adequate and fair standard of living; and the right to organize on the job.

This campaign is designed in part to give voice to those who are unheard in America's rush to competitiveness, the countless millions who, through no fault of their own, find themselves without a job, without a decent wage, without basic health insurance and without a future.

Jobs with Justice is an ongoing program, to build an ongoing fight back process on the local and National level. We intend to put workers' rights issues at the forefront of the National political debate. We already have begun in Florida, Iowa, South Dakota, Tennessee, among other locations, and we'll continue throughout the country.

Over and over again we find examples of hardworking employees who have been victimized by Government policies which reward the rich and the powerful.

In the telecommunications industry, for example, Federal decisions to deregulate telephone service and to break up the Bell System has wreaked terrible consequences. More than 100,000 workers have lost their jobs, the good jobs, since the AT&T divestiture in 1984. Thousands more have been forced to relocate, often more than once, just to hold on to their job. They uproot their families, bankrupt their finances and ultimately, in some cases, find themselves unemployed again.

At a recent hearing held by this committee in Miami, Thomas Carrao, a former CWA member and a 17 year employee with AT&T, told of how he was laid off when AT&T, after divestiture, told him the only job available was in another city and paid only half of what he was earning. With a family to support he simply couldn't afford to take the move at such a large cut in wages. So he was laid off and spent more than a year seeking a job. He and his wife took several odd jobs, including housecleaning, just to make ends meet. The emotional and physical toll was enormous and eventually Mr. Carrao ended up in a hospital for alcohol treatment, his wife suffered a nervous breakdown and his children began having trouble in school.

Finally, he found employment working the very same job he used to hold, but now it is with an AT&T subcontractor rather than AT&T itself. And now he is paid less than he used to earn for the very same work. Yet AT&T likely is paying just as much, if not more, for the subcontractor than they would have by employing skilled workers directly.

If I may, when Senator Simon was giving an example, it brought to mind a recent experience I had. I went to one of our local union memberships in Davenport, Iowa. My flight was late, which is normal these days, deregulation. A young man was on the floor thanking the union for something we had negotiated in 1986 with the Northwestern Bell Telephone Company, that since he was now declared surplus in Davenport the new clause of the contract gave him a job in another State within the Northwestern Bell territory. But he raised the question, what do I do, abandon my house which I can't sell because of the depressed farm economy, or do I abandon my job and watch my house? And I didn't have a response for that question.

And in our industry, which was one of America's basic industries, has these problems that start to hit in this kind of an industry, there is no job that is safe from this ill.

But I raise the question, is this fair? Is it right? Is this what we had in mind when we experimented with deregulation? Of course not. And what's worse, there's increasing attention to the need to revise our telecommunications policy, but not to take care of innocently victimized workers. Instead discussions by the Administration and some Members of Congress seem to focus solely on the supposed need of the telecommunications giants, the corporations who have profited from deregulation.

By now it should be clear that this is a pattern which affects every industry cut loose from Federal review. An Eastern Airline employee was raped and brutalized in her home. When she told her supervisor that she would not be able to report for work, she was threatened with disciplinary action and abuse. As she put it in the hearings that you conducted, "I was raped twice—once by my attacker and once by my employer."

But deregulated industries are not the only places where we find abuses of worker rights. Unfortunately, in virtually every sector we find employers who cavalierly deny workers access to decent paying jobs with union protection.

In Nacogdoches, Texas a group of very low paid, predominately minority and female workers has been seeking union protection for years but their employer, Stephen F. Austin University, has fought them every step of the way using scurrilous, underhanded tactics.

These cafeteria workers are the victims of racism and discrimination. A lawsuit demonstrated that black and female workers were denied promotional opportunities, but instead were used to train white males for higher paid positions. University personnel officials even were told to circle the "n" in Stephen or Austin to indicate a Negro job applicant. These applicants then were offered only the lowest paid jobs.

Since 1983, when this lawsuit first was filed, CWA has been trying to help these workers. A settlement was reached, bringing them about $15 million in back pay and requiring development of career ladders.

But in 1985, the university announced it would contract out the food service operation to ARA Services, a private firm, even though the existing work force was generating up to $1 million per year in revenue. This is a classic example of public sector union busting, otherwise known as privatization.

Initially, there was an agreement with the university that ARA would use the same employees and preserve the protections secured. Instead, ARA Services and the university have ignored the agreement. They have maintained wage rates but have cut back on hours worked or denied pay for breaks so that many employees no longer could afford to keep the job.

Again, the employees sought protection, this time by filing for a unit election with the NLRB. But through a variety of legal tactics, the election was delayed for two years. And on the eve of the election day, ARA Services filed yet another dilatory, delaying motion.

But I am pleased to state that two weeks ago these workers finally prevailed and won the election and the right to representation.

But now we face an arduous battle to secure a decent contract for them.

This is not an isolated or rare example of Americans denied jobs, or decent wages, or basic rights. These people reflect a growing and disturbing trend. It is a trend that denies workers access to jobs and closes the doors of opportunity. It is a trend that forces Americans to skirt the edges of poverty and to become reliant on Government support, where such support exists, when they instead have the ability, the desire and the drive to earn their own way but for massive corporate resistance.

There is a growing inequality among American families. Wealth in the United States is heavily concentrated in the hands of only a few people. For example, only 2 percent of American families own half of the stocks and nearly three-quarters of all the municipal bonds in the United States. According to a recent report by the Joint Economic Committee, the richest people in America nearly doubled their wealth in the 21 years from 1962 to 1983.

But as the rich accumulated more wealth, the rest of us lost it. From 1962 to 1983 the share of total wealth owned by 90 percent of Americans dropped 11 percent.

Much of this declining wealth is the result of too-high rates of unemployment and too-low rates of pay. Unemployment has stagnated at a level we once thought unacceptable. And even as some new jobs are created, they increasingly are very low paid. Families have been forced to go out and get more jobs, where they can find them, just to stand still.

Current average real weekly pay for an American worker is about the same today as it was in 1962. While weekly earnings peeked in 1972, they have been declining ever since.

As a consequence, we are losing ground in the battle against poverty, despite many positive years during the Great Society. Even full-time workers, if they are paid the minimum wage, constantly skirt the poverty line and often fall below it.

And the middle class is disappearing as well. As an economist with Chase Econometrics says, "For every 25 year old I read about making $300,000.00 on Wall Street, there are hundreds of 25 year olds working as fast food people or hospital orderlies earning $3.50 an hour. It's very skewed. I see this as a big problem. It denies young people the opportunity to earn middle class income that their parents had."

It is difficult to pinpoint one particular cause of this growing economic malaise. The decline in decent paying jobs, the lack of adequate training and retraining, the absence of support systems like child care, and the attack on worker organizations are just some of the factors.

The Great Depression was America's darkest hour but it stimulated our National leaders to respond. Our policies, echoed in the highest quarters, reflected the belief that Americans have a right to expect a job, a liveable wage, decent working conditions, adequate housing and health care.

Those goals are no less worthy today. In fact, they are just as urgently needed. We must cast aside this new notion as promulgated by the Reagan Administration, that everyone must fight for them-

selves even though the battle ground is severely tilted toward those already rich and powerful.

We are not asking that Government rule our lives. We only are asking that Government, as the constitutional protector of the people, provide the tools so that Americans can stand up for themselves.

Whether it's protection against arbitrary plant closing, or privacy intrusions in the form of secret telephone bugging, drug testing or polygraphs. Whether it's support for decent housing, health insurance and child care, or protection for workers who seek a union. Whether it's a full employment program or a decent minimum wage. These are all needed. These are all essential. And we will continue to work with you to gain their enactment.

This hearing and the proposed economic bills of rights are important first steps. We must renew the call for action and we must start by articulating the basic goals and dreams of American workers. We once again must make jobs, wages, working conditions the building blocks of a health economy and commit to their attainment at all levels.

Thank you.

[The prepared statement of Morton Bahr follows:]

TESTIMONY OF MORTON BAHR, PRESIDENT, COMMUNICATIONS WORKERS OF AMERICA

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to testify on the serious problems facing American workers today and the need for strong leadership at the national level to correct this sorry situation.

The Communications Workers of America (CWA) is comprised of 700,000 members employed in a wide range of industries including communications, public sector, printing and publishing trades, health care and other service industries.

Our members have witnessed first hand the dislocation and hardship caused by federal policies. They've lost their jobs and they've faced incredible pressure to lower their wages even in highly profitable industries. But they are not alone. Millions of Americans have faced the same or even greater hardships over the last few years as a direct result of federal decisions or of federal neglect.

One hundred years ago the American economy was dominated by a small number of families who made no apologies for their desire to totally control the market and accumulate the greatest possible profits. Swift in meatpacking, Vanderbilt in transportation, Rockefeller in oil, Mellon in finance, McCormick in farm equipment, and Carnegie in steel learned how to substitute financial manipulation for production and in the process accumulated incredible wealth and power.

Yet from 1935-1965, between the "great depression" and the "great society," a combination of political and labor organization cut back on absolute and arbitrary corporate power. And though the economy expanded, along with American living standards, second and third generation robber baron families, while still powerful and rich, did not dominate the national economy in the same way that their grandfathers had.

The Reagan years, however, have seen the rise of a new generation of robber barons. Cloaked once again in the veil of unchecked competition, the new robber barons like their predecessors 100 years ago have been able to accumulate unlimited wealth and power. And like their first generation forefathers, their exploits are followed closely not only by financial columnists, but by social and political commentators as well.

Today we even find one of the most basic worker rights—the right to strike—completely undermined when employers hire permanent strikebreakers. Not long ago, an employer would continue to try to reach a settlement throughout the bargaining process. But now they practically welcome a strike so they can arbitrarily fire all of their employees and substitute replacements. We even see corporations advertising for strikebreakers—before a strike even begins—as part of their strategy to intimidate and control.

And thanks to technological breakthroughs in communications, transportation, and finance, the new robber barons can move their capital around the world 24

hours a day. Workers are told to compete not only with each other but with other plants in the U.S. or third world as wages are driven down while the power of capital increases. Corporate America's solution to the problem of competing in an international economy—lowering American wages to South Africa levels—is not the answer.

Auto workers in Michigan are told they are not competitive, as GM builds new plants in Korea and Mexico with $1 per hour workers, but finds $750 million to buy out Ross Perot.

Frank Lorenzo tells flight attendants and mechanics that they must settle for a 1970 standard of living while he counts his $2 billion in profits from mergers and buyouts.

William McGowan convinces Congress that deregulation of telecommunications will benefit business and consumers, and two years after deregulation occurs cuts 25% of his MCI workforce with no advance notice.

Goodyear, with help from its employees and the community, fends off a takeover by Britain's Sir Alfred Goldsmith only to turn around and cut its already shriveled workforce by another 15%.

Michael Milliken of Druxel, Lambert peddles junk bonds to finance deals for the new robber barons accumulating more than $1 million for himself in the process.

A debate that first began 100 years ago is being re-enacted. What kind of world do "free markets" produce? The new robber barons are merely the leaders of the new world economy. The competition and greed that they inspire, becomes a role model not only for their children but for ours as well. We begin to accept health care as a reward only for winners in the economic game and no longer think of as it as a right. We begin to accept adequate and safe housing as something only the better paid among us should be able to buy. We begin to believe that the regulations and programs designed to protect working Americans no longer are worth the effort.

The attack on workers' rights today is more severe than it has been in 50 years. Living standards for workers and their families have declined, while employment security and the right to organize on the job have all but disappeared in America today. The rights that were guaranteed to all Americans by our nation's founders are being steadily eroded—the Bill of Rights is stolen from us each time we pass through the factory or office door.

Wealth and income in the U.S. are becoming increasingly polarized. Today, the old adage that the rich get richer while the poor get poorer is more true than ever. A new generation of robber barons is reshaping American industry for their own personal wealth without regard to the impact on workers and our communities. Vast personal fortunes are being made as workers' lives and communities are shattered.

As part of the effort to fight back against increasing worker abuse, a coalition of unions, religious, civil rights, women's, farmer and other organizations has formed under the banner of "Jobs with Justice." The core of Jobs with Justice is the attainment of three simple and basic rights:

(1) the right to job security for all American workers, union and unorganized;

(2) the right to an adequate and fair standard of living; and

(3) the right to organize on the job.

This campaign is designed to in part to give voice to those who are unheard in America's rush to competitiveness, the countless millions who, through no fault of their own, find themselves without a job, without a decent wage, without basic health insurance and without a future.

Jobs with Justice is an ongoing program, to build an ongoing fight back process, on the local and national level. We intend to put workers' rights issues at the forefront of the national political debate. We already have begun—in Florida, Iowa, South Dakota, Tennessee, among other locations—and we will continue throughout the country.

Over and over again, we find examples of hardworking employees who have been victimized by government policies which reward the rich and powerful.

In the telecommunications industry, for example, federal decisions to deregulate telephone service and to break up the Bell System has wreaked terrible consequences. More than 100,000 workers have lost their jobs just since the AT&T divestiture in 1984. Thousands more have been forced to relocate, often more than once, just to hold on to their job. They uproot their families, bankrupt their finances and ultimately, in some cases, find themselves unemployed anyway.

At a recent hearing in Miami, Thomas Carrao, a former CWA member and a 17 year employee with AT&T, told of how he was laid off when AT&T, after divestiture, told him the only job available was in another city and paid only half of what he was earning. With a family to support Mr. Carrao simply couldn't afford to move

and to take such a large cut in wages. So he was laid off and spent more than a year seeking a job. He and his wife took several odd jobs, including housecleaning, just to make ends meet. The emotional and physical toll was enormous and eventually Mr. Carrao ended up in a hospital for alcohol treatment, his wife suffered a nervous breakdown and his children began having trouble at school.

Finally, Thomas Carrao found employment working the very same job he used to hold—but now it is with an AT&T subcontractor rather than with AT&T itself. And now he is paid less than he used to earn, for the very same work. Yet AT&T likely is paying just as much, if not more, for the subcontractor than they would be employing skilled workers directly.

Is this fair? Is this right? Is this what we had in mind when we experimented with deregulation? Of course not. And what's worse, there's increasing attention to the need to revise our telecommunications policy—but not to take care of innocently victimized workers. Instead, discussions by the Administration and Congress seem to focus solely on the supposed need of the telecommunications giants, the corporations who have profitted from deregulation.

By now it should be clear that this is a pattern which affects every industry cut loose from federal review. An Eastern Airline employee was raped and brutalized in her home. When she told her supervisor that she would not be able to report for work the next day, she was threatened with disciplinary action and abuse. As she put it in a recent statement, "I was raped twice—once by my attacker and once by my employer."

But deregulated industries are not the only places where we find egregious abuses of worker rights. Unfortunately, in virtually every sector we find employers who cavalierly deny workers access to decent paying jobs with union protection.

In Nacogdoches, Texas a group of very low paid, predominately minority and female workers has been seeking union protection for years but their employer—Stephen F. Austin University has fought them every step of the way using scurrilous, underhanded tactics.

These cafeteria workers are the victims of racism and discrimination. A lawsuit demonstrated that black and female workers were denied promotional opportunities, but instead were used to train white males for higher paid positions. University personnel officials even were told to circle the "n" in Stephen or Austin to indicate a "Negro" job applicant. These applicants then were offered only low-paid jobs.

Since 1983, when this lawsuit first was filed, CWA has been trying to help these workers. A settlement was reached, bringing the workers about $15 million in back pay and requiring development of career ladders.

But in 1985, the university announced it would contract out the food service operation to ARA Services, a private firm, even though the existing work force was generating up to $1 million per year in revenue. This is a classic example of public sector union busting, otherwise known as privatization.

Initially, there was an agreement with the university that ARA Services would use the same employees and preserve the protections secured. Instead, ARA Services and the university have ignored the agreement. They have maintained wage rates but have cut back on hours worked or denied pay for breaks so that many employees no longer could afford to keep the job.

Again, the employees sought protection, this time by filing for a unit election with the NLRB. But through a variety of legal tactics, the election was delayed for two years. And on the eve of the election day, ARA Services filed yet another dilatory, delaying motion.

In another example of employer abuse of labor laws, MCI completely shut down a facility rather than permit a unit election.

Just weeks before Christmas 1986, about 3,000 MCI workers were fired, only a few days after management had been notified by the National Labor Relations Board that the workers had filed enough cards to force an election for representation by CWA. The company said it had to shut down the facility in Detroit because of "competitiveness" reasons, but we believe it more likely is an attempt to avoid the union. But more important, the sad bottom line for these workers is that now they are out of work because their employer thought it would be more "cost effective" to terminate them rather than to recognize their rights.

BROADER ECONOMIC CONTEXT

These are not isolated or rare examples of Americans denied jobs or decent wages or basic rights. These people reflect a growing and disturbing trend. It is a trend that denies workers access to jobs and closes the door of opportunity. It is a trend that forces Americans to skirt the edges of poverty and to become reliant on govern-

ment support, where such support exists, when they instead have the ability, desire and drive to earn their own way—but for massive corporate resistance.

There is a growing inequality among American families as the gap in the ownership of wealth widens. Wealth in the United States is heavily concentrate in the hands of only a few people. For example, only 2% of American families own half of the stocks and nearly three-quarters of all the municipal bonds in the U.S. According to a recent report by the Joint Economic Committee, the richest people in America nearly doubled their wealth in the 21 years from 1962 to 1983. These wealthy families added more than $3.2 million to their average holdings and their share of total share of total wealth rose 12%.

In late 1986, Forbes reported that "it has been a splendid year for billionaires . . . wealth in 10 digits has been identified for 26 persons, nearly double last year's tally."

The wealth of American billionaires simply is incomprehensible for the vast majority. The assets of Samuel Walton (Wal-Mart Stores) amount to $4.5 billion, while John Kluge, owner of Metromedia, is worth $2.5 billion, just to name two.

But as the rich accumulated more wealth, the rest of us lost it. From 1962 to 1983, the share of total wealth owned by 90% of American dropped 11%.

Much of this declining wealth is the result of too-high rates of unemployment and too-low rates of pay. Unemployment has stagnated at a level we once thought unacceptable. And even as some new jobs are created, they increasingly are very low paid. Families have been forced to go out and get more jobs, where they can find them, just to stand still.

Current average real weekly pay for an American worker is about the same today as it was in 1962 (approxmiately $300 per week). While weekly earnings peaked in 1972, they have been declining ever since. Worse, they are spiraling downward at a faster and faster rate. Between 1973 and 1979, according to the Bureau of Labor Statistics, average hourly earnings (adjusted for inflation) fell 4.3%, but between 1979 and 1985, earnings fell at a rate of 6.0%.

As a consequence, we are losing ground in the battle against poverty, despite many positive years during the "Great Society." Even full time workers, if they are paid the minimum wage, constantly skirt the poverty line and often fall below it.

And the middle class is disappearing too. As a economist with Chase Econometrics says, "For every 25 year old I read about making $300,000 on Wall Street, there are hundreds of 25 year olds working as fast food people or hospital orderlies earning $3.50 an hour. It's very skewed. I see this as a big problem. It denies young people the opportunity to earn middle class income that their parents had."

There are many statistical reflections of the shrinking middle. Rate of home ownership among people under 35 has fallen from 43.3% to 39.7%, even though nearly two-thirds of these households have two breadwinners. And a man who was 30 in 1949 saw his earnings rise 63% by the time he was 40; yet a 30 year old man in 1973 would find his average income fall by 1% in ten years.

Cause and Solutions

It is difficult to pinpoint one particular cause of this growing economic malaie because, in fact, the cause are many. The decline in decent paying jobs, the lack of adequate training and retraining, the absence of support system like child care, the attack on worker organization and a government policy which encourages wealth accumulation by those at the top while taxing away the wages of those in the middle and bottom are just some factors.

The Great Depression was America's darkest hour but it stimulated our national leaders to respond. Our policies, echoed in the highest quarters, reflected the belief that Americans have a right to expect a job, a liveable wage, decent working conditions, adequate housing and health care and the like.

Those goals are no less worthy today; in fact, they are just as urgently needed. We must recommit ourselves to taking the steps to protect and nurture Americans. We must cast aside this new notion, as promulgated by the Reagan Administration, that everyone must fight for themselves even though the battle ground is severely tilted toward those already rich and powerful.

We are not asking that government rule our lives. We only are asking that government, as the constitutional protector of the people, provide the tools so that Americans can stand up for themselves.

The legislative steps to carry this out are many and varied. Whether it's protection against arbitrary plant closing, or privacy intrusions in the form of secret telephone bugging, drug testing or polygraphs. Whether it's support for decent housing, health insurance and child care or protection for workers who seek a union. Wheth-

er it's a full employment program or a decent minimum wage. These all are needed. These all are essential. And we will continue to work with you to gain their enactment.

This hearing and the proposed economic bills of rights are important first steps. We must renew the call for action and we must start by articulating the basic goals and dreams of American workers. We once again must make jobs, wages, working conditions the building blocks of a healthy economy and commit to their attainment at all levels.

Thank you.

Mr. MARTINEZ. Thank you, Mr. Bahr.

We'll now go to Mr. Rahn.

STATEMENT OF DR. RICHARD RAHN, CHIEF ECONOMIST, U.S. CHAMBER OF COMMERCE

Mr. RAHN. Thank you very much, Mr. Chairman. And I commend the committee for holding these important hearings on how we can create job opportunities for all of our citizens.

In the interest of time I will summarize my remarks, but I request that my entire statement be made part of the record.

Mr. MARTINEZ. With no objection, so ordered.

Mr. RAHN. On behalf of the U.S. Chamber of Commerce, again, I thank you for inviting us to speak today. We are the world's largest business federation and our members are responsible for the vast majority of jobs that have been created in this country.

When we talk about how to increase employment, well there are three basic things that we have to do. One is maintain a high rate of real economic growth. Secondly, we must reduce Government impediments to employment growth. And three, we must make sure that our workers have the information, the education, and the discipline they need to fill the jobs that are being created.

In terms of economic growth, I was struck today by some of the comments I've heard which seem to me to be at great variance with the reality. Today we are celebrating the longest peace time economic expansion since 1854. This is a momentous date in our Nation's economic development. Again, the leading indicators were up again this morning by point six. This shows that the economic expansion, again this record economic expansion, is likely to continue for many more months.

Secondly, we have a record number of Americans now at work. More importantly we have a record percentage of our adult population at work. Never in our Nation's history, have we had a higher percentage of those people 18 to 65 at work. This is a measure of great economic health. In addition, we have a higher percentage of our adult population at work than any other nation in the world, including Japan. The fact of the matter is, we have been creating jobs at three times the rate Japan has over the last seven years.

We have a record rate of real income growth, record family incomes, record per capita incomes. In fact, in many areas of the country, we have labor shortages. Currently we have pockets in areas of the country which have not participated as much as we'd like in the economic boom. But the reality is, again, despite economic problems things have never been better for the vast majority of Americans, or have there been greater economic opportunities for the vast majority of Americans.

Poverty rates are falling. It is indeed true, they rose from 1973 to 1983. But they are again on a downward trend. And particularly if you correctly included benefits, non-cash benefits, you'd see even a much steeper decline in the rate of poverty.

Mr. Chairman, these economic records did not come about by accident. Recently, I went back through the testimony of a number of leading economists and representatives from major organizations in particularly the 1981 period, when the new economic policies by the Reagan Administration were being formulated. At that time, as you may recall, many people, particularly on the left, argued that we were in a permanent situation of economic stagflation. The last report from President Carter's Council of Economic Advisors giving their optimistic scenario of the best they could do under their policies was to have an average rate of growth of 3.5 percent between 1983 through 1986, and a 7.6 percent inflation rate.

The actual numbers have been a real rate of economic growth over those years of 4.1 percent and an average inflation rate of only 3.4 percent. So the new economic policies in performance, in actual log counts, greatly exceeded the best that Mr. Carter's economic advisors thought they could do with their set of policies.

The policies that brought about this rapid rate of economic growth—and again, over the past five years we've had this 4.1 percent average rate of real economic growth. Never in our Nation's peace time history have we had a continuous rate of growth that has equaled this record. These policies, again reducing high marginal tax rates, trying to provide a more stable and predictable rate of monetary growth, maintaining free trade, reducing regulatory impediments on the proper function of the economy in trying to hold down the growth of spending even though they've only been incomplete in their implementation, have provided this.

Now during the late 1970's we had a rapid growth in both Government spending and the level of taxation, very rapid monetary growth, and this brought us to stagflation. I find many folks now are recommending these same set of policies which gave us the economic disaster that we had before.

The second major area I mentioned was the reducing of governmental impediments through employment growth. Unfortunately, much of our unemployment problems are Government induced. Economists talk about the wedge or the tax wedge, and it also includes regulations, on labor. Now, let's assume that an employer wants to hire an employee at a rate of $10.00 an hour. Now we all know the employee does not get $10.00 an hour. The employee has to pay income tax and Social Security tax. Let's assume the combination of those taxes is only 20 percent, so the employee gets $8.00 an hour rather than $10.00 an hour. On the other hand we know the employer's cost is not $10.00 an hour. The employer has to pay the Social Security tax also, Unemployment Compensation, Workmens' Compensation, and other forms of mandated benefits. And let's assume that this wedge is only 20 percent on the employer, so the employer's real cost is $12.00 an hour rather than $10.00 an hour.

Now we know there are more people willing and able to work for a real wage of $10.00 an hour than $8.00 an hour. And we also know that employers can hire more people for real wages of $10.00

an hour than $12.00 an hour. And every time we increase taxes or other forms of mandated benefits we increase the size of the wedge. And this increased unemployment. And that is one reason we had the large growth of unemployment in the late 1970's and the beginnings of the 1980's, because this wedge had increased so rapidly despite the big expansion of the Government spending programs.

Finally, Mr. Chairman, it is clear that a number of our workers do not have the skills they need or are not aware of jobs that are available. And we do need to do more to insure that our entire population has a basic level of literacy. Studies have shown that if you are a high school graduate and married, your chances of remaining unemployed for extended periods of time are extremely low. The big problem is that we have many workers who do not have the basic skills of reading, writing, basic mathematics. We have a number of people who do not have basic job disciplines, with little understanding of what it takes to hold a job, who are unaware of where the jobs are located.

And I just look here in the Washington Metropolitan Region. We have a reasonably high unemployment rate here in the District of Columbia, yet we go across the river in Virginia, and we find at the shopping centers, virtually every one of them has signs in windows asking for employees. And even down here on K Street in Washington, D.C. you can walk along now and you see all these help wanted ads and you see the huge growth of help wanted ads in the Washington Post. So clearly we're not communicating the job opportunities available to people in the way that we should. And I think, Mr. Chairman, that we need to look at areas of ways to a better job in making sure that workers have, again, those basic educational skills and are made aware of the opportunities that do exist.

I would caution the committee against programs that greatly increase taxing and spending and with slow economic growth, such as some of those we saw during the late 1970's, which will have the unintended effect of increasing unemployment rather than diminishing it.

Again, Mr. Chairman, I thank you very much for the opportunity to testify before you.

[The prepared statement of Richard W. Rahn follows:]

STATEMENT
on
ACHIEVING FULL EMPLOYMENT
before the
SUBCOMMITEE ON EMPLOYMENT OPPORTUNITIES
of the
HOUSE COMMITTEE ON EDUCATION AND LABOR
U. S. CHAMBER OF COMMERCE
by
Richard W. Rahn
September 30, 1987

I am Richard Rahn, Vice-President and Chief Economist of the U. S. Chamber of Commerce. On behalf of our 180,000 member businesses, associations and state and local chambers of commerce, I welcome the opportunity to present our thoughts on the important task of developing public policies for economic advancement, creation of job opportunities and full employment.

The Subcommittee on Employment Opportunities has set for itself a rather ambitious task. We applaud the subcommittee's desire to help to create career opportunities for those in low-income situations, to strive for the goal of full employment, to improve U.S. competitiveness in the world economy and to achieve general economic advancement. By creating public awareness for these issues, the subcommittee is providing a valuable service.

In the pursuit of these objectives, it is important for us to assess the role and limitations of public policy. We should be able to learn from our past experiences with fiscal, monetary and other public policies. For example, we can learn a great deal from the successes and failures of differing economic policies as they have

been applied in major industrial countries. We can also learn a great deal from the longest peacetime expansion that is now occurring in the U.S. economy.

These experiences demonstrate what kinds of fiscal and monetary policies lead to economic growth and job creation. However, it is important to note the limitations of these macroeconomic policies. For example, since 1982 we have been able to achieve sustained economic growth that has created nearly 13 million jobs in the U.S. However, we are still left with intractable pockets of unemployment and poverty. This indicates that there are limits to the effectiveness of these policies. In our opinion, to go beyond these limits will requires the appropriate microeconomic policies that reduce impediments in labor markets and instill a better attitude toward work for those trapped in poverty. In this way, hopefully, "all boats can rise together."

Economic Growth and Job Creation

There is no doubt that the recent performance of the U.S. economy provides us with a valuable lesson. It shows how vitally important it is to install policies that improve economic incentives. Policies such as the historic reduction of marginal tax rates, anti-inflationary monetary policy and deregulation have increased the reward to productive behavior, which has given a spirited boost to economic activity. In this regard, we have become the marvel of major industrial nations. This is illustrated in Table I, which shows that

TABLE I

EMPLOYMENT GROWTH IN THE MAJOR INDUSTRIAL ECONOMIES
(Millions of Workers)

YEAR	U.S.A.	CANADA	JAPAN	GERMANY	U.K.	ITALY	FRANCE
1982	101.71	10.72	55.86	25.66	23.87	20.63	21.75
1983	103.03	10.81	56.79	25.29	23.76	20.67	21.67
1984	107.22	11.08	57.11	25.32	24.16	20.79	21.47
1985	109.38	11.39	57.50	25.49	24.46	20.89	21.38
1986	111.84	11.71	57.98	25.74	24.56	21.01	21.44
1987**	114.42	11.99	58.38	25.90	*	21.11	*
Job Growth							
1982-87	12.5%	11.8%	4.5%	.02%	2.8%	2.2%	(.02%)

* Not available
** 1987 data is for the second quarter

Source: Bureau of Labor Statistics

job creation over the last five years in the U.S has been far greater than job creation in the other major industrial nations.

It is instructive, at this point, to document the remarkable gains made during the recent recovery. As of November 1987, this recovery will rank as the longest peacetime recovery since 1796. We have experienced continuous economic growth over a 59-month period that began in November of 1982. During this period, real economic growth, on a yearly basis, has averaged 4.1%. Inflation has been reduced from the double-digit rates of the early 1980's, falling from an annual basis of 10.4% in 1981 to 1.9% in 1986.

In human terms, the recovery has created a plethora of job opportunities. The unemployment rate has fallen from 10.8% in August of 1982 to 5.9% in August of 1987. During the last year, the unemployment rate has fallen by a full percentage point, indicating that job growth in the U.S. continues to outstrip even the most optimistic forecast.

Except for Japan, the U.S. unemployment rate is now lower than every major industrial country; and since 1982, it has fallen faster than it has in every other major industrial country. Over this period, the record shows that most of these countries have experienced substantial increases in their unemployment rates, and the U.K. and France, in particular, are mired with unemployment rates that exceed 10%.

While the U.S. unemployment rate has fallen, the civilian labor force participation rate has risen to an historical high of 65.3%. The percentage of the adult population currently employed stands at a record 61.2%. These rising labor participation rates indicate that economic growth has created many job opportunities for those desiring gainful employment.

As the number of jobs has expanded, the quality of jobs has also increased. There has been much speculation that the current recovery has resulted in a high proportion of low-paid, low-skilled jobs. Yet, a look at the record proves this false. During the 1981 to 1985 period, 46.1% of the net new jobs were in the high-wage category of $28,048 and over. At the same time, only 6% of the net jobs created were in the low-wage category of $7,012. In striking contrast, during the 1977 to 1981 period, 41.7% of the net new jobs created were in the low-wage category.

While the share of high-income jobs has increased, median real family income has also risen. During the period 1982 to 1986, median family income increased by 10.7% (in constant dollars), the best increase since the 1960's. This increase has reversed an actual reduction in real median family income of 5%, which occurred during the 1977 to 1981 period. Finally, the real median income of blacks has increased by 12.7% from 1981 to 1986, which exceeds the 8.7% growth in median income for whites during the same period.

The main lesson to be learned is that economic growth is the

necessary condition for job creation and reducing unemployment. Without robust economic growth, it not only becomes difficult to create opportunities for the general population, but also it becomes more difficult to address the problems of the poor. For example, a 1986 Rand Corporation study on black economic progress found that the ranks of the black poor were 25% larger in 1980 than they would have been had economic growth in the 1970's continued at the pace of the 1960's.

The Economic Foundation or Economic Growth and Job Creation

The reasons for job creation and the current economic recovery are no great secret. They go hand in hand with an environment that provides economic incentives or the rewards for productive behavior. This means that the return to hard work, ambition, risk, saving and entrepreneurship must reinforced. This implies installing policies of low taxation, limited government and monetary stability. Only in this way can individuals be assured of a decent return for their hard-spent efforts.

For this reason, we believe that the recent economic recovery is no mere accident. It is a consequence of economic policies that were crafted to improve economic incentives. The historic reductions of marginal tax rates that have reduced the top rate from 70% in 1981 to 28% in 1988, give us the lowest income tax rate among major industrial countries. This has created an environment conducive to investment and job creation.

Income tax reduction has also increased the share of taxes paid by the wealthy, causing them to move out of tax shelters and into productive ventures. For example, the share of taxes paid by the upper 5% income group has increased from 35% in 1981 to 40% in 1985. As Table II indicates, the tax shares paid by the $50,000 to $75,000 income group and all income groups above that level have dramatically risen since 1981. Furthermore, the reduction of capital gains tax rates that began in 1978 and resulted in a top rate on individual long-term capital gains of 20% for the 1981 to 1986 period provided an important boost to capital formation. Unfortunately, recent tax reform legislation has had the effect of raising the capital gains tax rate up to 28% and, thereby, hinders future capital formation and new ventures.

The economic recovery is also due to monetary policies that have dramatically lowered the double digit inflation rates of the late 1970's and early 1980's. Policies of less government intervention have also contributed to economic growth. For example, according to the Council of Economic Advisors' 1986 Economic Report of The President, deregulation initiatives undertaken in the late 1970's, such as deregulation of the airlines and of interstate trucking, have contributed to economic growth.

There is now a wealth of information that shows that economic growth and job creation are inversely related to the size of the public sector. For example, consider the case of the major industrial

TABLE II

Taxes Paid Under ERTA* 1981-1985

Revenues Collected (000,000s)

Net Income Group (000s)	1981	1982	1983	1984	1985	% Change
$ 0-10	7,975	7,090	6,148	5,864	5,475	-31.3%
10-20	39,511	34,567	31,463	31,283	30,352	-23.2
20-30	55,657	51,966	46,321	44,778	43,344	-22.1
30-50	86,592	84,995	82,629	87,280	91,835	6.1
50-75	36,299	35,892	38,353	47,355	56,385	55.3
75-100	14,715	14,595	15,393	18,759	21,683	47.4
100-200	21,506	21,869	22,014	25,763	30,218	40.5
200-500	12,750	14,032	15,613	18,775	22,423	75.9
500 & above	8,988	12,592	16,122	21,648	27,005	200.5
TOTAL	283,993	277,598	274,056	301,505	328,720	15.7

Tax Share Under ERTA 1981-1985

Percentage of Total Tax Burden

Net Income Group (000s)	1981	1982	1983	1984	1985
$0-10	2.8%	2.6%	2.2%	1.9%	1.7%
10-20	13.9	12.4	11.5	10.4	9.2
20-30	19.6	18.7	16.9	14.9	13.2
30-50	30.5	30.6	30.2	29.0	27.9
50-75	12.8	12.9	14.0	15.7	17.2
75-100	5.2	5.3	5.6	6.2	6.6
100-200	7.6	7.9	8.0	8.5	9.2
200-500	4.5	5.1	5.7	6.2	6.8
500 & above	3.1	4.5	5.9	7.2	8.2
TOTAL	100.0	100.0	100.0	100.0	100.0

*ERTA - Economic Recovery Tax Act of 1981

economies in the organization for Economic Cooperation and Development (OECD) Europe. In the early and mid 1960's, public spending averaged 33% of Gross National Product (GNP), and real economic growth soared at an average 4.42% rate. Since that time, public spending in the major OECD European countries has gone over 50% of GNP. These countries are now mired in economic stagnation. Annual average economic growth rates have been on a severe downward trend since the 1960's. In the 1980's, economic growth among the major OECD European countries has barely averaged 1%, with job creation at a virtual standstill. This performance pales in comparison to the current U.S. experience.

The international experience indicates that it is the economic policies of moderate taxation, limited government and monetary stability that provide the basic macroeconomic foundation for economic growth and job creation. Those countries that create such an environment tend to prosper while those that promote excessive government spending and taxation suffer with economic stagnation.

Job Creation and the Public Sector

The relatively large size of European public sectors and the inability of such countries to create jobs weaken the case that more government intervention into labor markets and more government spending can lead to more and better jobs. Let us explain more fully the reasons for this result.

First, it should be apparent that any increase in federal spending has to be financed from some source. Generally speaking, more federal spending can either be financed with higher taxes or greater federal deficits. In either case, resources are drawn from the private sector and state and local units of government to pay for more federal programs. The implication is that one must, in essence, "rob Peter to pay Paul." There is no net increase in output since what is gained in one area is lost in another. Therefore, more federal spending cannot lead to sustainable net job creation.

In fact, one could make the case that more federal spending can lead to smaller output and less job creation. This is because the resources taken from the private sector are often used less efficiently by the public sector and the increases in tax rates needed to finance such spending create disincentives for labor and capital. Research by economist Charles Stuart shows that the marginal cost of an additional dollar of public spending ranges between $1.17 and $1.57. 1/ This indicates that as one shifts resources to the public sector, the loss in private-sector output can often be greater than the increase in public sector output. In addition, such effects are quite high when one considers government transfer payments. This is because the transfer payment discourages the work effort of recipients while the higher tax rates needed to finance the transfer discourage labor effort and investment.

Secondly, we must recognize the nature of net job creation. Net job creation does not simply occur by government mandate. Job

1/ See Charles Stuart, "Welfare Costs per Dollar of Additional Tax Revenue," American Economic Review, June, 1984.

opportunities have to be created by ultimately producing a product or service that satisfies the consumer. This takes a variety of productive factors, such as risk, entrepreneurship and capital formation. These factors must be combined with labor to produce a product and each factor has to be rewarded. Capital formation can hardly occur if the return to investment is highly taxed; people will not be motivated to create and take risks if the returns to these activities are low. Moreover, the supplies of these precious factors are very sensitive to the returns on such activities. For example, high taxes can send more resources into tax shelters, can lead to capital flight overseas and can lead to the deterioration of entrepreneurship.

The realization that labor must cooperate with other factors to create value makes it apparent that actions taken to increase the cost of hiring labor will reduce the return to the other factors of production. As a result, the labor demand and job creation crumble. Therefore, it is important not to drive a cost "wedge" between employer and employee. For example, a large tax on labor will increase the cost of hiring labor. This translates into less profit and a smaller demand for labor. The result is lower wages and fewer job opportunities.

The labor wedge concept explains why labor market interventions, such as minimum wages, government mandated health benefits, government mandated family benefits and plant closing legislation, are often self-defeating. Each of these policies drives

a cost wedge between employee and employer. For example, government mandated benefits raise the cost of hiring a unit of labor and, therefore, reduce the net value of the worker's contribution. In effect, such policies are the equivalent of a tax on the hiring of labor. As a consequence, we would expect that less labor would be hired and the unemployment rate would rise.

This has, of course, been the experience of the major industrial European countries. They have carried labor market interventions to great levels. As a consequence, the "tax" associated with the hiring of labor is significantly greater than is the case with the U.S. economy. The result has been much higher unemployment rates and negligible increases in employment. For example, a recent study by the National Bureau of Economic Research concluded that the continuing rise of West German unemployment was primarily due to labor market impediments, such as minimum wages and generous benefit packages.

Eliminating Hard Core Unemployment

While economic growth provides the foundation for job creation, there are limits to the effectiveness of macroeconomic policy. The truth of the matter is that even under very favorable circumstances poverty and certain types of unemployment will exist. The rising tide of economic growth and job creation will cause most "boats to rise," but it does not necessarily lift all "boats." We need to go further and investigate the problems of those who are chronically unemployed and trapped in poverty.

At the outset, it is important to realize that the main route to alleviating poverty is through job creation or the reduction of unemployment. For example, among families whose head of household works full time, only 4% are in poverty. There are, of course, other elements as well. For example, some are pointing to the role of the traditional family since such a high portion of poor households are headed by a female. And one must also realize that a basic high school education is a virtual necessity in today's economy.

It is also important to realize that certain kinds of unemployment will be with us under the best of conditions. For example, there are the frictionally unemployed or those who are unemployed due to the shifts in consumer preferences among commodities and changes in technologies. Economists have long argued that the existence of frictional unemployment explains why it would be difficult for any kind of economy to reach an unemployment rate of less than 4%. Unemployment of this sort is a characteristic of a dynamic or changing economy. Jobs are lost in some areas of the economy, but other jobs open up in other sectors.

In some cases, there is also structural unemployment, which requires that workers undergo a re-tooling or education process to acquire the skills necessary to take the new jobs. To alleviate these problems, it is quite important to have an economy that is growing so that new opportunities become available.

We also have to realize that the problem will not necessarily go away with more federal spending. There has been an extremely large surge in federal spending on job and poverty programs since the advent of the Great Society programs. Yet, there is now a widely emerging consensus that these programs have not come close to meeting expectations. For example, from 1977 to 1981, as spending on poverty programs soared, the percentage of families with incomes under $12,500 (constant 1986 dollars) rose from 34.7% to 36.6% for blacks and from 13.9% to 15.9% for whites. But, since 1981, as social spending flattened out, the low-income percentage for blacks fell from 36.6% to 33.5% and for whites to 14.7%

The truth of the matter is that many of the chronically unemployed are prevented from taking advantage of job opportunities due to impediments in the labor markets and a lack of willingness of many to take the job opportunities that do exist. The result, as Bill Moyers and others have shown us, is a subculture in America, which is generations deep and which has no familiarity with the traditional work ethic.

Let us begin with impediments. These can take the form of minimum wages, occupational licensure and legal barriers to small business. In effect, these restrictions constitute barriers that make it difficult for many to take jobs and eventually escape poverty.

These impediments constitute significant obstacles. For

example, estimates by Professor Richard McKenzie of Clemson University indicate that recent legislative proposals designed to increase the minimum wage from $3.35 to $4.65 by 1990 will have the effect of eliminating 765,000 job opportunities. In a similar vein, economist Michael Bernstam has found that as the real minimum wage fell from 1981 to 1986, black employment at ages 16 to 19 rose by 7.7%. One important way, then, to increase employment opportunities is to reduce the minimum wage or, at least, prevent it from increasing. In this way, we preserve the stepping stones to better career opportunities for many of those in poverty.

In addition, there are other legal impediments that have stymied employment opportunities. These impediments have been well documented by Professor Walter Williams in his book, The State Against Blacks. For example, in most cities it is very difficult for lower-income individuals to enter lines of commerce such as driving a taxicab due to the existence of expensive licensure. However, in cities where the taxicab market is relatively open, such as Washington D.C., it has been estimated that minorities own and operate approximately 70% of the cabs. Other research has found that examinations used to screen applicants for job licenses have had the effect of excluding minorities from a variety of occupations even though they possess the practical knowledge to do the job. For example, in some states the failure rate on written tests required to obtain a cosmetology license has been much higher for blacks compared to whites. Yet, black performance on the practical test was no different than that of others.

Finally, economists have shown that occupational licensure has long been used to exclude individuals from relatively well paid occupations, such as the plumbing and electrician trades; the implication is that such licensure is often used as a technique to protect the high wages of present employees. As a consequence, many capable individuals are excluded from obtaining such positions.

In our opinion, the subcommittee should investigate the job opportunities that would be available if many such restrictions were reduced in the many lines of commerce in which they exist. Similarly, the subcommittee should consider ways of alleviating such restrictions in poverty-stricken areas through the development of concepts such as free enterprise zones.

While there are serious impediments in the way of those striving for job opportunities, there are also very severe disincentives on the part of many to undertake the many opportunities that are available. In truth, many are unemployed because of welfare dependency. In such cases, accepting welfare is a more attractive offer than taking a job.

For example, "Reforming Welfare," a Heritage Foundation study, found that Aid to Families with Dependent Children (AFDC) mothers in the Work Incentive Program claimed that they wanted to work, but 70% actually turned down jobs for which they were qualified. In addition, a ghetto renovation project in Newark, New Jersey, an area of severe

unemployment, recently could not attract local labor at $5.00 to $6.00 an hour. Other evidence indicates that many opportunities exist. For example, some estimates suggest that the U.S. employs as many as 10 million illegal aliens, mostly in entry-level positions.

It appears, according to Charles Murray's epic study Losing Ground, that a major source of the hard-core unemployed is the disincentives contained in our welfare system. In this regard, it is encouraging to see the emerging bipartisan support in Congress for reform of the welfare system. However, it is important in these endeavors to learn from the mistakes of the past. For example, establishing expensive jobs programs will not provide an effective solution if individuals on welfare have few incentives to complete such programs and are prevented from taking jobs that fail to be created due to a lack of capital formation. In addition, we must also bear in mind that expensive jobs programs draw resources from productive uses in other areas of the economy that result in the loss of other jobs.

It should be recognized that a successful job experience requires the proper attitude toward work. As a consequence, welfare reform should be geared towards tighter eligibility standards that encourage individuals to take the jobs that are available to them. For example, according to "Reforming Welfare," a mother with a full-time, minimum wage job coupled with remaining welfare benefits still available to the working household will provide enough income to lift the average AFDC family above the poverty line. Encouraging such

individuals to take available jobs allows them to develop the proper attitude toward self-reliance and financial independence.

Other recommendations for improving incentives should address the fact that nearly one-half of all poor households are headed by a female. It is no secret that the current welfare system creates strong incentives to encourage the father to leave home. According to a study by the Department of Health and Human Services, Targeting Recipients of AFDC, benefits such as AFDC and others are primarily paid to female heads of household, which has the unintended effect of breaking up the traditional family.

Solutions to these problems are not easy, and we concur with the subcommittee that creative ideas are needed. In this regard, we suggest that you study the innovative approaches to welfare reform. We need to develop a plan that encourages work and discourages the break up of low-income families. For example, one interesting proposal would require and guarantee a capable welfare recipient a job at 90% of the minimum wage. The program would include supplemental credits for those families still below the poverty line and greater penalties for parents who are delinquent on their child support payments. This plan would mean that the capable welfare recipient would receive as much or more money than does a current nonworking welfare recipient. As a consequence, the recipient's standard of living would not be jeopardized as he gains valuable work experience.

Finally, it is important to realize that many remain in poverty because of hardships beyond their control. Some individuals have physical and mental impairments, and others find themselves in temporary situations that make it very difficult for them to participate in the job market. We firmly believe that the government should provide the necessary benefits for such individuals. However, the government has a responsibility to correct the defects in its current welfare policies that destroy the incentive to work for those who possess the ability to do so.

Summary

The recent economic recovery indicates that economic growth constitutes the foundation for employment opportunities. We have created more job opportunities in the U.S. than has occurred in any major industrial nation. Consequently, it is very important that future economic policies not jeopardize the conditions for economic growth. This means maintaining the commitment to limited government and low taxation.

Solving the problems of the chronically unemployed and hard-core poverty tests the bounds of macroeconomic policy. Also, microeconomic approaches are greatly needed to complement the policies of economic growth. These include removing barriers in labor markets, an overhaul of the current welfare system and the maintenance of government's role in supplying basic education and delivering benefits to those who are truly in need.

Appendix 1

The De-Mythification of America

The current economic expansion is unique by historic standards. As the economy enters its 59th month of recovery, all signs point to a continuation of healthy rates of economic growth, thus virtually guaranteeing that the present expansion will become our longest peacetime expansion since 1796. But there have been an abundance of myths created about the current expansion that, if allowed to influence policy, could derail the recovery:

MYTH 1
THE SERVICE SECTOR IS DESTROYING THE MIDDLE CLASS.

There is no evidence that the middle class is disappearing. The fact is that the middle three-fifths of the population, ranked by income, receive about 52 percent of total national income, a proportion that has been virtually unchanged since the Census Bureau began keeping such statistics in 1947. A similar analysis of annual earnings by the Bureau of Labor Statistics indicates that the middle third of workers, ranked by earnings, make up exactly the same percentage of total employment that they did ten years ago. In short, there is nothing in the data to indicate that recent changes in the economy, such as a shift from manufacturing to services, are eroding the middle class.

MYTH 2
THE U.S. IS BECOMING A SERVICE ECONOMY.

Services have been a main source of job growth in recent years. But the service sector is not made up solely of low-paid jobs nor does its growth come at the expense of manufacturing, which is actually doing quite well. Employment in manufacturing was 19.2 million in 1986, an increase from 18.4 million jobs in 1982.

Employment in services has risen by more than 10 million jobs since 1980, up from 64.7 million to 75.2 million in 1986. Thus, 75 percent of all nonagricultural workers in America are employed in jobs classified as service producing. Services have grown rapidly because as an economy grows and matures, there is a greater demand for services. The consumption of services has increased dramatically, from 33 percent of total personal expenditure in 1950 to over 52 percent in 1986.

MYTH 3
LOW PAYING JOBS ARE REPLACING WELL PAID MANUFACTURING JOBS.

It is the higher paying service jobs rather than the lower paying unskilled service jobs that are expanding most rapidly. The proportion of jobs in the low paying category has declined from 33 percent of the new jobs created in 1981 to 31.4 percent in 1985.

Furthermore, during the 1981-85 period, 46.1 percent of the net new jobs created were in the high-wage category ($28,048 and over). At the same time, only 6 percent of the net new jobs created were in the low-wage category ($7,012).

MYTH 4
THE U.S. IS LOSING ITS MANUFACTURING BASE.

Virtually all discussions of the U.S. manufacturing sector concentrate on employment. But the real measure of manufacturing performance is output. Manufacturing output as a share of GNP has held remarkably steady for decades. In 1950, manufacturing output as a proportion of GNP was 21.4 percent while in 1985 it was 21.7 percent.

MYTH 5
FACTORIES ARE CLOSING DOWN IN THIS COUNTRY AND WE ARE PRODUCING LESS.

Industrial output hit a new record this past July and is now 25 percent above the level it was at five years ago. The data for July show that industrial production surged at a 9.7 percent annual rate, bringing the annual growth rate for the past three months to 7.8 percent. And for the past year, manufacturing output has risen at a 4.8 percent annual rate.

Manufacturing capacity is greater than it has ever been in the history of this nation. In the past year, industrial capacity increased by 2.5 percent. Contrary to the popular perception, more factories are opening than closing. For example, there are more companies making cars in the U.S. today than there have been in the last thirty years.

MYTH 6
U.S. WORKERS ARE NOT AS PRODUCTIVE AS WORKERS IN OTHER INDUSTRIAL NATIONS.

U.S. workers are the most productive in the world. In 1986, gross domestic product per employed person in the U.S. was 45 percent greater than Japan, 42 percent greater than the U.K., and about 25 percent greater than Germany. Manufacturing productivity climbed at a 4.9 percent annual rate in the second quarter of this year.

MYTH 7
AVERAGE AMERICAN FAMILY INCOMES HAVE BEEN FALLING IN THE PAST FOUR YEARS.

Over the past four years, median real family income has increased by 10.7 percent, the best increase since the 1960s. In contrast, during the 1977-81 period, real median family income decreased. And real income and wealth have both been increasing, not falling, in the past five years. Part of the reason is because there has been an increase of $1.8 trillion in the value of stocks directly owned by some 46 million Americans and real after-tax labor

compensation has also risen, which did not happen with the high tax rates of 1976-80.

MYTH 8
U.S. PER CAPITA INCOME IS DECLINING.

U.S. per capita income is at a record level. Per capita real personal income was $10,773 in 1986, about 10.8 percent above 1980.

MYTH 9
TOTAL U.S. FINANCIAL WEALTH HAS FALLEN.

Since 1980, U.S. financial wealth (in constant 1982 dollars) has soared by 53.3 percent, from $5.8 trillion to almost $9 trillion in 1986. In contrast, during the 1970s, it rose by only 17.6 percent. Since 1980, the value of corporate equities has risen by more than $1.3 trillion, while during the 1970s those values fell by $500 billion.

MYTH 10
IN RECENT YEARS, HOUSEHOLD NET WORTH HAS FALLEN.

Household real net financial assets have risen from $3.5 trillion in 1980 to $5.4 trillion in 1986--a 55 percent increase in net assets, at a 7.5 percent annual rate of growth. In comparison, during the period 1970-80, household net financial assets grew by only 2.9 percent--an annual rate of growth of less than 0.3 percent a year. In 1980, household net financial assets were 109.5 percent of GNP while in 1986, they were almost 147.5 percent.

MYTH 11
THE U.S. HAS LOST ITS COMPETITIVE EDGE.

Our competitive stance with the rest of the world can be seen by comparing the share of income that the average American spends on foreign goods with the share the average foreigner spends on U.S. goods. If Americans spend a large share of their incomes on goods from, say, Sweden while the Swedes only spend a small part of their incomes on U.S. goods, this suggests that the Swedes are more effective in selling their own products than we are. Moreover, it implies that Swedish goods are more competitive than U.S. goods, at least in each other's markets. If competitiveness is viewed this way, America's perceived trading position changes. Rather than being uncompetitive, by virtue of its merchandise trade deficits, the U.S. is extremely competitive because of the relatively large portions of their incomes that foreigners spend on American goods. In 1985, Canadian citizens spent over 14 percent of their incomes on American goods while Americans spent only 1.7 percent of their incomes on Canadian goods. The average person in Taiwan spends nearly 8 percent of his income on U.S. goods, but the average American spends less than half a percent of his income on Taiwanese goods.

MYTH 12
THE U.S. INTERNATIONAL DEBT IS GREATER THAN THE PROBLEM DEBTORS IN THE LESS DEVELOPED COUNTRIES.

In 1986, the net international debt of the U.S. ($263 billion) amounted to only 6.3 percent of GNP. In contrast, according to International Monetary Fund data, the external debt of the problem debtors averaged 54.8 percent of their Gross Domestic Product (GDP). Brazil's debt amounts to 40 percent of its GNP.

In addition, U.S. data is not comparable to that of the less developed countries as the numbers are computed differently. For example, Brazil's $110 billion debt is simply its financial borrowings from banks and governments, net of its official reserves. By contrast, America's net foreign position also includes net foreign direct investment and private assets.

MYTH 13
THE U.S. IS NOW THE LARGEST DEBTOR NATION IN THE WORLD.

Clearly, the problem lies in how the debt numbers are computed. If America's assets and liabilities were valued correctly, at the end of 1986 the U.S. had net foreign assets of about $200 billion. This figure is roughly equivalent to Japan's, which is now the world's largest creditor nation.

Direct investment by U.S. companies abroad and by foreigners in America are recorded at book value. If direct investment were revalued at current market prices, the value of U.S. investments abroad would rise by much more than the value of foreigner's investment in the U.S. For instance, U.S. gold reserves are still valued at $42.22 ounce. If our 262 million ounces of gold were valued at today's market value, U.S. assets would be boosted by $100 billion.

MYTH 14
AMERICA IS BEING TAKEN OVER BY THE JAPANESE.

America is not being taken over by the Japanese. In fact, Western Europe accounts for 60 percent of foreign direct investment in the U.S. Japan accounts for less than 12 percent, despite being the world's largest creditor nation. Even on an individual country basis, Japan ranked behind the U.K. and the Netherlands in 1986.

MYTH 15
FOREIGN INVESTMENT IS BAD FOR THE ECONOMY.

There is nothing intrinsically wrong with importing capital if the borrowing is used to finance productive investment. The Department of Commerce data show that the largest increases in foreign assets in the U.S. take the form of direct investment and equity investment. Foreign investment means jobs. Nationwide, the number of American jobs dependent on foreign direct investment is 3 million. Increased productivity results from increased investment in more and

better machinery and equipment. In addition, foreign investors are an important source of funds for fledgling U.S. companies. Of the $2.3 billion of venture capital funds raised last year, nearly 25 percent came from overseas. These investors are interested in the wealth of new technology that they hope to develop.

MYTH 16
TAX INCREASES WILL REDUCE THE FEDERAL BUDGET DEFICIT.

The evidence proves this false and indicates instead that more taxes are recycled into greater federal spending. Professors Richard Vedder and Lowell Gallaway of Ohio University show that for each tax dollar collected, federal spending increases by $1.58. Moreover, the large business tax increase of 1982, the Tax Equity and Fiscal Responsibility Act of 1982, promised $3 of spending reduction for every dollar of tax increase. But the evidence shows that for every dollar of tax increase, spending went up by $1.26. In addition, evidence from Europe shows that when taxes have been raised from 31 percent of GNP in 1965 to over 45 percent of GNP in 1986, public spending has also increased to over 50 percent of European GNP in 1986.

MYTH 17
OUR FEDERAL DEFICIT IS DRAINING CAPITAL FROM OUR TRADING PARTNERS, THUS STUNTING THEIR GROWTH.

This proposition is false as the public sector deficits of our trading partners are larger than our own. For example, in 1986 the combined deficits of Organization for Economic Cooperation and Development (OECD) European countries were 4 percent of OECD European GNP whereas the U.S. budget deficit was 3.4 percent of GNP. In fact, over the past seven years, the U.S budget deficit, as a percentage of GNP, has been less than European deficits as a percentage of their GNP.

The supposed drain of foreign capital is not due to the U.S. budget deficit since foreign deficits are larger, but because the investment climate is superior in the U.S. We have much lower marginal tax rates on income and a relatively smaller public sector than most of our trading partners.

MYTH 18
THE "SUPPLYSIDE" TAX CUTS OF 1981 HAVE NOT INCREASED THE SAVINGS RATE.

Most critics who make this erroneous claim ignore two salient facts: the tremendous growth in household net worth over the 1980's and the growth of business saving. Taking these factors into account leads to the conclusion that the the tax cuts have contributed significantly to asset and wealth accumulation. During the period 1979 to 1986, household net worth (adjusted for inflation) has increased by 25 percent or by $2.9 trillion (in 1982 dollars). This exceeds the gain made over 13 years previous to this period. And during the current economic expansion, gross private saving (personal

and business saving) has averaged 17.3 percent of GNP, versus the postwar average of 16.7 percent.

MYTH 19
TAXES HAVE BEEN CUT SUBSTANTIALLY SINCE 1981.

By virtually any measure, taxes are as high or higher than they were in 1981. Tax Freedom Day--the day when we begin to work for ourselves instead of the government--is May 4th, as late in the year as it was before taxes were reduced in 1981. Federal tax revenues (1982 dollars) increased from $612 billion in 1980 to $751 billion in fiscal year 1988.

MYTH 20
CUTTING THE CAPITAL GAINS TAX RATE RESULTS IN REVENUE LOSS.

Historical data prove that after capital gains tax rates are cut, federal government capital gains revenue actually increases. In 1978, capital gains tax rates were reduced from 49 percent to 28 percent. This rate reduction lead to an increase in capital gains revenue each subsequent year--$3.5 billion more by 1980. When the capital gains tax rate was further reduced in 1981, capital gains revenue increased again and revenue was $2.3 billion higher by 1983.

MYTH 21
THE ECONOMIC RECOVERY TAX ACT OF 1981, WHICH CUT TAXES ACROSS THE BOARD AND REDUCED THE TOP TAX RATE FROM 70 TO 50 PERCENT, BENEFITED THE RICH.

Internal Revenue Service data for the period 1982 through 1985 (the latest available) demonstrate that the percentage of the overall tax burden borne by the wealthy has increased dramatically since the top tax rate was cut. In 1981, individuals earning over $500,000 annually paid 3.3 percent of the overall tax burden. And in 1985, they paid 8 percent. In 1981, the top ten percent of taxpayers paid 48 percent of the tax burden, while in 1985, the same ten percent paid 51.8 percent of the total tax burden. In contrast, those taxpayers earning under $20,000 annually paid 16.9 percent of the total tax burden in 1981, but paid only 12.1 percent in 1985.

Appendix II

Edgar Browning,"The Marginal Cost of Public Funds," Journal of Political Economy, April 1976, 84, 293-298.

Michael Burda and Jeffrey Sachs, Institutional Aspects of High Unemployment in the Republic of Germany, National Bureau of Economic Research, Working Paper No.2241, May 1987, Cambridge, Mass.

Council of Economic Advisors, Economic Report of The President , Washington, D.C., 1986.

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James P. Smith and Finis Welch, Closing The Gap, Rand Corporation, February, 1986, Washington, D.C.

Charles Stuart, "Welfare Costs per Dollar of Additional Tax Revenue," American Economic Review June, 1984.

Walter E. Williams, The State Against Blacks, McGraw Hill Book Company, New York, 1982.

Mr. MARTINEZ. Thank you.
We now turn to Dr. Moses.

STATEMENT OF DR. STANLEY MOSES, PROFESSOR OF GOVERNMENT PROGRAMS AND URBAN PLANNING, HUNTER COLLEGE, NY

Mr. MOSES. Thank you very much, Mr. Chairman. Again, I'd rather not read from my statement and request——

Mr. MARTINEZ. It will be recorded in its entirety.

Mr. MOSES. Thank you very much.

One of the problems or challenges of coming number three is that I've already heard two speakers and before I go into my own speech or brief remarks, in order to give you time for questions, I'm wondering where I'm sitting and whom I've heard. It seems like I've heard a description of two different countries during the last twenty minutes or half hour. And I don't know if I'll be any closer to reality, but at least it's an interesting testimony to the divergence of——

Mr. MARTINEZ. Are you somewhere in the middle?

Mr. MOSES. Well, Solomon was, I'm not sure if I'll be.

And of course, before Congressman Owens left I thought I was seeing all of America before my eyes, going from Brooklyn, New York to Chicago, Illinois, to the Coast of California. And as I looked at the geography spread before me, I was wondering how these different impressions coincide with your various districts. But I'm sure as Congressmen from across the country, you have a better sense of that than on an immediate level than I, as a professor, could tell you.

But be that as it may, I feel very privileged to come here again and participate in a continuing debate which is as old as the modern industrial history of this country and that is a question over full employment.

Yesterday I had the opportunity to meet some people on various committees, staff, around these different buildings, and their question to me was are you still around with the issue of full employment. And as I saw Congressman Hawkins come into the room before, I realized this is an issue that's always been here and will always be around. And I thank you and this committee for again bringing this bill before us and trying to recreate an interest in that broader issue of general governmental policy towards the needs of the entire population not to deprecate issues regarding low cost employment or public service employment, or public jobs bills, but also the larger issue of Government responsibility to full employment.

And one might ask, we do have a Humphrey-Hawkins bill, which was passed in 1978. And we do have an Employment Act which was passed in 1946. But we have not had an aggressive commitment to implementing those policies either under Democratic or Republican presidents, and as a result we have fallen far short of that goal. And even though we talk once more of the need for indeed another bill, we have to remember that a bill which becomes a law is not the attainment of a goal. A law is only a statement of goals which need to be aggressively sought and implement-

ed by a commitment, by a National commitment, and the Congress and by the President to aggressively pursue that goal. And not as in Humphrey-Hawkins in the case—I don't mean Congressman Hawkins himself, personally—but in 1979 people said well, we now have a full employment law. We've achieved it. And as a result interest waned and there was a perception that we now had the law, there was no need to do anything else.

And a law without active public mobilization and strong commitment by the President and Congress is dead letter. And we have many laws that will always remain dead letter. That dead letter only becomes live when people give meaning and groups see that they have a strong unifying interest together that makes this an important prime target to strive for. And indeed we have had highest post-World War II unemployment rates, subsequent to passage of the Humphrey-Hawkins Law. I don't attribute any causation there, but I think it's interesting as we proceed down this road of hearings and new debate, that we once more realize that that concept and goal of full employment which is so vital to the functioning of the American economy requires awakening consciousness and educating people and bringing them once more to realize how important that is, which I thank you very much for.

And as I again see Congressman Hawkins entering the room, I think he understands this more than many of us, and certainly more than I do. Because he has been down that long and tortured road of seeming triumph and then only to meet a seeming lull in activity by a seven-year incumbent President.

Now, there is something unique about today that goes aside from the long-term struggle for full employment legislation. There's something unique about the bills you have presented before us. There are three bills that I was asked to comment upon and the comments are in my prepared testimony.

But 1398 and 2820, that is the Economic Rights Bill being introduced at the same time as a Quality of Life Full Employment Bill, mark a historic period in the history of full employment thinking in this country in that we are bringing the concept of economic rights and tying it once more to the full employment goal. And indeed that is what was originally meant by original full employment activists, and by Franklin Roosevelt in his 1944 State of the Union address. When he talked about a post-War program for American democracy, he talked about economic rights. And central to his concept of economic rights, was the right to employment, the right to have a decent living, the right for people who were unemployed to be guaranteed certain rights of a basic standard of living. And indeed in that 1944 address, the State of the Union address, he outlined various rights, such as education, health and housing, which were articulated elements of a full employment post-World War II program for American democracy.

Now when we got to the movement towards the Employment Act of 1946, a lot of this concern with the guarantee and with the commitment to rights was set aside as increasing attention was given to issues of macro-economic planning, the planning of framework for Government pursuit of new economic policies, fiscal and monetary in the World War II period. Concern was given to economic

policy, to GNP indicators the notion of rights was somewhat set aside.

And I want to applaud my appreciation for the committee and for these two bills as once more bringing these issues and pointing out how important it is to think of full employment as part of a forward movement towards progress in the larger issue of human rights. Full employment itself—Hitler had full employment; Stalin had full employment. That in itself is not what we pursue as a single goal. We pursue full employment as it is related to other goals of economic progress and development. I think it was Hagle who once said the march of history is the march of freedom.

And in the discussion between Senator Simon before and a number of you on the Committee, he pointed out to the difference between the United States and Russia today as to how rights are viewed. And certainly the United States has a far superior record on political and social rights and guarantees regarding that. During this period of the Bork hearings we understand how central that is to the American National consciousness and National debate. The Russians have always argued that they were superior in all these areas, but we've always wondered about—especially credited them with economic rights, namely the elimination of unemployment. Now we find for the first time the Russians that they have not eliminated unemployment, that they have serious pockets of unemployment.

And for the first time under General Secretary Gorbachev there's an opening up and an admission that they have camouflaged and hidden their unemployment through redundant workers placed on payrolls as alternative welfare benefits are handled through employment sites. Which is what they admit now has been a great cause of inefficiency in their system. And secondly, they also admit to the fact of large pockets of unemployment in depressed areas that they have not been able to conquer. The first time they've admitted that, publicly, on the record in the last year.

But even if we see the Russians, that issue of economic rights, we must understand that there is a gap in the American tradition that we have not moved from political and social rights in an equal manner towards economic rights. And for many, political and social rights lose their meaning when economic rights in the sense of a basic standard of living, of adequacy, of opportunity are not there.

And in this country, in the United States, we also especially have visited that deprivation. We've hidden the losses of full employment, the lack of full employment, of large unemployment, the social, economic and psychological impact of that have been concentrated in certain groups of the population, both by area, by place and by human characteristics; color, ethnicity. So it is primarily the minority groups, Black groups, Hispanic groups, who endure the costs of high unemployment, who suffer the outrages attendant upon not achieving full employment. And if we look at that full employment question within that context, perhaps we can look at them. They are the worriers of the—they are the ones who have sacrificed for our anti-inflation policy. They are the casualties of a high unemployment policy. And in that sense, White America, of whom I'm one—the majority of White Americans can claim the

high attainment of a political, social and economic set of rights. But it is incurred at a very high cost to many Americans.

So I'm very happy to see that we've moved in this committee to link once more, and move to the high plain of human rights and link that once more to the goal of unemployment.

I might mention the President recently spoke very much, around July 4th, of a new bill of economic rights. And he spoke about introducing that before the Congress. He hasn't come with that bill yet, but his bill of economic rights speaks very much towards freedom from taxation, balanced budget and line item vetoes. It does not talk to the notion of minimum levels of human welfare. And by welfare, I don't mean public assistance. I mean human dignity guarantees for the American population.

And I applaud that H.R. 2820 speaks to a different version of human rights than the President has included. And I'd like to reassure—it's more akin to a document recently published by the Catholic Bishops on Economic Justice for All, Catholic teaching in the U.S. Economy. And in that document they make very clear the notion of human dignity, the need to have some sense of public production and belonging, and the need to relate back to society and production, and unmet needs of the society which can only be met by actively involving people in the positive contribution. And although I believe in separation of Church and State, I strongly advocate this document for the consideration, I'm sure you're aware of it, of this committee, because they have raised the full employment issue once more in a moral sense. Not to deprecate economics, that is very important. But they have expanded the economic analysis to include the moral dimensions and have linked that to a positive program, an advocacy of a positive program for American democracy.

And not only just to bring the Catholic Bishops' statement as a support for this kind of a linking, I want to assure my colleague from the Chamber of Commerce at my left that there is nothing subversive about the notion of full employment. There's nothing contradictory to the American way of life about the goal of full employment. Achieving full employment is a major way to strengthen American democracy and indeed strengthen American capitalism. American capitalism has benefitted very greatly from strong, active full employment pursued by Government in the post-World War II period.

The Government rescued American capitalism in the 1930's. It did not abandon it post-1945. The commitment of the Employment Act of fiscal and monetary policies laid the basis for successful post-World War recovery and the avoidance of mass depression, which to this very day have provided a very positive environment for American capitalism and private enterprise to successfully go about their business, and they've done it very well. But they've done it not with Government as an enemy, they have done it with Government as an active collaborator and stimulant to the process. And the notion of pitting Government against capitalism, or Government against the Chamber of Commerce as the enemy of economic growth—as the enemy of employment expansion—I do not believe is supported by the evidence.

I don't want to quibble about the economic rates of growth that were cited before. I don't have my own statistical backup material with me here. I don't see any 4.5 real GNP growth over the last four years. My numbers that I calculated the other night—it was late at night, but I think I'm right—it's about 2.4 real growth over the 1981-1986 period. Real growth 2.5 percent. And indeed the President has impressive economic achievements in certain areas of GNP growth and employment growth. But those are not unique achievements. Under President Carter employment expanded more rapidly, certainly more rapidly as the proportion of total employment, and certainly less in absolute jobs as much more rapidly a proportion of total employment.

I'd like to submit later for the committee, these numbers to substantiate that record. And I'm not coming here to applaud President Carter, but I'm just coming here to make mention of the fact that successful economic growth policies are not a unique characteristic of the post-1981 Reagan Economic Reform/Tax Reform measures. Although they did stimulate growth. But the major impact of the post—the major cause of the post-1982 growth, the recovery from the very deep, deep recession or depression, however you want to characterize it, was lowering taxes, which created a massive stimulus. There was a deficit driven tax reduction, military expansion. And those three factors are what laid the basis for the avoidance of mass depression, which would have occurred in 1982 had the President not gone to those policies of tax reduction. For another set of reasons, he wanted that policy anyway, but he went to it 1982 and military expansion at the cost of significant reduction in social programs.

So we traded in a social stimulus, replaced it with a military stimulus, reduced the tax structure very heavily. And that combination kept us from going into mass depression in 1982. It gave us other problems regarding international trade and the deficit. But it did help us avoid mass depression, and I'm very aware of Ronald Reagan's positive contribution in 1982 for implementing an aggressive Keynesian set of programs in order to avoid the recurrence of the 1930's. And I applaud the President for his pragmatic common sense response to the 1982 situation. If he had followed his stated platitudes of politically conservative orientation economics, I think we would have gone into an even greater depression in 1982-1983, but I think we were rescued from that by some basic intelligence operating there.

I have commented—and again, as I mention, this full employment economy we're talking about by relating human rights to economic planning, provides a basis for a continuing growing American democracy and lays the basis for sustained purchasing power and continuing and maintenance of market demand and continuing profits for American business. Maybe the rates won't be as high, but the profits will be larger. Larger profits, lower rates, but more sustained. And this is because of a Government commitment to use economic tools of planning to meet unmet human needs, especially as we talk about a post-Gorbachev, or post-arms deal conversion type of economy we have to talk about new roles for economic planning to take the place of the military stimulus of the last five years. Then we're again talking to an increased expansion

of public sector spending, social spending. And in that sense we're talking about the rights that are spoken about in 2870, rights related to housing, education, health, unmet needs of the American population which have been disregarded in the last——

I'll try and limit my remarks to allow for cross examination. Regarding these bills, there are some criticisms and suggestions that I submit in the record. I think Senator Simon's bill, while it has many positive features, is too narrow. It doesn't take enough of a view of how public works could relate to the expansion of a job opportunity program. I think his limiting of the capital spending to 10 percent really constrains the type of jobs and skill training and education that can be developed in those programs. And I think there's room for a more ambitious approach that would expand some of these notions of this training program to include that kind of orientation.

The three bills, H.R. 1398, S. 777, and H.R. 2870 have many positive ingredients and I think in your deliberations you're going to have to consider whether you leave them as is, or try and combine various elements of the bills. It might be that the human rights bill, sections of it should go back into the Hayes Full Employment, Quality of Life bill. It might be that some of the sections in the Quality of Life bill, such as the one on public works could better be merged with a Simon bill to expand that orientation, so we're not just talking about public service employment at the lowest wage level. We're talking about other, more ambitious—and I think to plant trees means you go beyond the 10 percent capital allowance that's mentioned in the Simon bill, and you probably go beyond that minimum wage plus 10 percent.

I don't know what they paid you, Congressman Hayes, back in the 1930's——

Mr. HAYES. Thirty bucks a month.

Mr. MOSES. Well, this is 1987. We wouldn't want to do that today, although it is true that I think my colleague on the left, and my co-witness testified on the wedge—I forget the term.

Mr. RAHN. The labor wedge.

Mr. MOSES. The labor wedge, and I think we've always known that the lower the cost of wages, the more we can get people to work, especially if you have no social welfare system. The challenge in this country was always to develop a higher paid labor force. That doesn't mean to drive business out of business, but it does mean to try and develop guarantees and labor market interventions that would bring up the wages of workers, which in the end is good for business, because the wages of workers are the purchasing power that keeps that engine going. And I don't think we'd want to go back to the CCC level. I don't think you do either.

But I think we have to talk about how we could develop jobs within a framework of upgrading of the labor force through the education and training programs that Senator Simon alluded to.

Again, I could go on, but I'd rather give you an opportunity to present your questions. And I very much appreciate—someone, as I said, are you back again? Is full employment still around? We have Humphrey-Hawkins. I anticipate this is an issue that will always be here as long as we have a thriving, functioning, competitive American democracy with Government and labor and business ar-

guing about what should be the appropriate economic policy. And as long as we have that kind of an argument going on, then I think full employment is a central issue that has to be discussed.

However, I think you gentleman by broadening out the concept of full employed to include the notion of human rights, have really raised full employment to another level that goes beyond just the notion of fiscal stimulus regardless of what it is really to the notion of what is the content of full employment. What is to be done? What are the unmet needs that should be matched with underemployed, estranged workers in order to together bring a more positive contribution to the society as a whole.

Thank you very much for the opportunity to testify.

[The prepared statement of Stanley Moses follows:]

PREPARED STATEMENT OF STANLEY MOSES

I [1] wish to express my appreciation for the opportunity to participate in this Hearing being conducted by Congressman Martinez and the House Subcommittee on Employment Opportunities. I believe this to be very important opportunity to once more raise the standard and goal of full employment as a foundation for progressive policies to respond to the economic and social problems of this country. While specific issues and concerns may change, the commitment of the Federal government to full employment policies has always been the single best indicator of a positive involvment and response to national needs.

We do have a full employment law which was passed by the Congress in 1978 and signed into law by President Carter, the "Full Employment and Balanced Growth Act of 1978," popularly referred to as the Humphrey-Hawkins Act of 1978. This law is an outcome of the hard work and dedicated efforts of people like Congressman Hawkins, Chairman of the Committee on Education and Labor, who was at the time Chairman of this sub-committee. But what we have learned from the Humphrey-Hawkins experience is that laws very easily become dead letter unless there is a strong national commitment joined by political mobilization and action to achieve implementation. The goal of full employment has been set aside as President Reagan has regularly ignored the mandates contained in both the Employment Act of 1946 and the Humphrey-Hawkins Act.

If the provisions of Humphrey Hawkins were being implemented by this administration, especially in regard to the goal of a 3% adult and 4% overall rate of unemployment within five years after passage, the discussion this morning would be very different. Humphrey-Hawkins was predicated on the assumption of strong involvement and support by the executive branch. Instead, we have had the experience under President Reagan of someone whose ideas of economic rights relate more to the privileged and affluent while ignoring those millions of Americans whose needs for jobs and income are not being met, even under conditions of so-called "economic recovery."

So I wish to thank Chairman Martinez for bringing these issues once more to the fore. And of course, also Congressman Hayes who has brought the full employment idea to the center of attention by the reintroduction of H.R. 1398, the "Quality of Life Action Act," along with a companion piece of new legislation, H.R. 2870, the "Economic Bill of Rights Act." The third piece of legislation being considered today, S. 777, the "Guaranteed Job Opportunity Act," introduced by Senator Simon, is very closely related to the Hayes full employment bills. It reflects the good sense of this subcommittee to include in this hearing a bill that is often associated with the current discussion of "welfare reform." The important contribution of S. 777 is that it

[1] Stanley Moses is an Associate Professor in the Graduate Program of Urban Planning of Hunter College, City University of New York. He is editor of Planning For Full Employment, special issue of the Annals of the American Academy of Political and Social Science, March 1975, and has an extensive background in research and other activities related to full employment. He is also a founding member of New Initiatives For Full Employment (NIFE), an organization located in New York City, which develops political, educational, and organizing programs related to full employment. His most recent publication is Neither Equity Nor Equality: The Struggle for Educational Opportunity (with Edwin Margolis), forthcoming, Associated Faculty Press, 1987.

responds to the problem of public assistance with jobs and makes a guarantee of a job opportunity the foundation of any reform of the public assistance system.

The uniqueness of today's meeting is symbolized by the joint consideration of H.R. 1398 and H.R. 2878, for this is the first time that the issue of full employment is joined directly to the consideration of economic rights. Such was the intention of the framers of the original full employment bills that were developed in 1945, but the outcome of the political process leading to adopting was that the bill became more restrictive in scope, and focused only on a planning framework for an expended governmental role in planning for economic growth and full employment. Issues such as basic economic rights, guarantees of employment, and the specific Federal commitment to full employment goals were jettisoned as part of the price paid for legislative passage. A similar experience occurred during the even longer time it took to pass the Humphrey-Hawkins law, as some of the basic principles of that full employment bill were also eroded.

President Roosevelt in his State of the Union address of 1944 presented a "Second Bill of Rights" that included job rights expressed as "a right for all (to) . . . a useful and remunerative job in the industries or shops or farms or mines of the nation. . . ." Employment was to be only one of the rights to be guaranteed to all Americans as part of his program for post-war America. Other rights were housing, medical care, education, economic security, adequate food, clothing and recreation, and the protection of the interests and needs of farms and businesses.

The Roosevelt bill of economic rights provided a platform for attending to the unfinished business of American democracy and expanded on traditional notions of the basic social contract of American democracy. While attention to economic and social needs has been an important part of the expansion of governmental activity during these last fifty years, the vision and ideal of full employment as part of a comprehensive program of democratic planning for human needs has been discarded. In fact, the governmental role increasingly became construed as one of attention to macro-economic goals related to economic stabilization and depression avoidance with less attention to the human content and outcomes of these activities. Responding to these needs was to provide the stimulus for creating a full employment economy.

The "Economic Bill of Rights Act" before us, H.R. 2878, serves a very important purpose in recovering part of our national memory which has been buried for so long. It does this by reasserting President Roosevelt's Economic Bill of Rights but also by relating these rights to specific legislation currently being considered by the Congress, as described in Sec. 3, "To Secure These Rights". It calls for appropriate executive action to implement these rights with special attention to the neglected mandates of the Employment Act and the Humphrey-Hawkins Act.

H.R. 1398, "The Quality of Life Action Act," provides a comprehensive framework for implementing and updating the full employment commitment embodied in previous laws. It also improves upon these laws by calling attention to international economic issues and the need for conversion planning from areas of civilian and military decline to areas of needed civilian expansion.

H.R. 1398 is a planning bill providing a framework for full employment. For implementation it is dependent on the development of various companion pieces of legislation devoted to specific policies and programs. The realization of the goal of full employment is dependent on the quality and substance of the different parts of the comprehensive legislative package that still needs to be developed. It is important that this limitation of the bill be understood, otherwise some of the disappointment that occurred subsequent to passage of Humphrey-Hawkins will be duplicated. The content of policies that will implement the goals of this bill, regarding both substance and appropriations, must come from other sources.

The Simon bill is an example of such legislation that directly complements the full employment planning framework of H.R. 1398. The Simon bill, S. 7777, the "Guaranteed Job Opportunity Act," applies a full employment concept by guaranteeing a public sector job opportunity for every person with five weeks previous unemployment who has unsuccessfully sought private employment. The Simon approach establishes basic moral principles regarding social and individual rights and responsibilities. It strongly affirms a social contract between each individual and society. Society must guarantee everyone an opportunity to earn a living but no employable person is guaranteed public support unless there is cooperation with requirements of job search, work placement, and education and training efforts. No one is guaranteed an income but each person is guaranteed a job and an opportunity to earn an income. The emphasis is on eventual placement in private sector employment, through education and training efforts and one day devoted weekly to job search efforts.

I wish to make a number of suggestions regarding each of these bills. Regarding the Simon bill, I question the level of wages being offered, which is the minimum wage or 10% above the person's previous public assistance or unemployment compensation. I doubt it is high enough to stimulate interest in these public service job opportunities, or that it will result in the development of productive public sector jobs. Even where people may be attracted to this program, there still remains the always present danger with public service employment programs of the public perception of dead end non-productive jobs.

I am especially concerned because the current bill envisions highly labor intensive work programs with no more than 10% of total funds being allocated for capital expenditures. In order for these programs to succeed they must develop work projects that stimulate positive public identification and support. The limitation on capital expenditures strongly limits the potential for developing such projects and also for successful skill training efforts. As a result, the bill, while being sensitive to stimulating individual motivation and development, lacks a positive vision of the challenge of public works planning. The public works section of the Hayes 1398 bill does provide such a perspective and some of its ideas bear looking into for this purpose.

In addition, the bill does not pay enough attention to the different characteristics of the population to be served. The way I read it, this bill has a strong welfare reform component and would result in the termination of public assistance for all employable recipients. If that is the aim, than more attention has to be given to the special needs of different population groups and the supportive services necessary for the largest public assistance group, female household heads with dependent children. Especially needed is clarification of the relationship between the Job Opportunity Program and welfare recipients regarding their rights of choice as to participation and how this is affected by family size and age of children. In spite of these objections, however, I wish to state my strong support for the principles of opportunity and job guarantees that are at the heart of this proposed legislation. I would just urge that attention be given to some of the objections which I have raised.

H.R. 2870, the "Economic Bill of Rights," essentially reaffirms and strengthens the full employment commitment by relating it to a concept of economic rights. The major problem I have with the bill relates to implementation and enforcement. It does not call for a guarantee, does not define the subtance of the right being granted, and does not provide a means by which individuals can seek redress for denial of their rights. This bill is a statement of desirable values and goals and relates these ideals to full employment, but it does not provide a mechanism by which these ideals can be translated into reality. It develops the philosophical basis of a full employment bill and also refers to various existing legislative proposals to secure these rights. However, it does not deal with either the substance or cost of these programs and is essentially a statement of basic principles of economic rights. I suggest that consideration be given to merging this bill with H.R. 1398 so that the issue of rights is directly joined with the goals of full employment.

The "Quality of Life Act," H.R. 1398, should be trimmed even more than it has been to a focus on full employment. Although the bill has already been significantly modified, it still claims too broad an agenda. I refer especially to the inclusion of sections dealing with conversion planning, public works and international economic policy. Although these are all important elements of full employment planning they require much more detailed attention and analysis and should be so treated in specific legislative proposals. Their inclusion in the bill, while intellectually stimulating, tends to weigh the proposal with far too much baggage thereby diverting attention from its central issue—the achievement of full employment.

Regardless of some reservations regarding emphasis and relatedness, I strongly support the work of this sub-committee in bringing forward the important question of full employment. Some may think these proposals too idealistic, vague and impractical, and especially out of touch with current political reality. Indeed in the current political environment dominated by Reaganomics and Gramm-Rudman-Hollings, it would seem there is little possibility for such initiatives. However, the paradoxes of history and politics often seem to create new unforeseen opportunities. While many deride full employment as an issue whose time has passed, it is a subject that is likely to reappear very soon and perhaps in a most forceful manner. Is America again ready to respond positively to a full employment program? If the question is directed at the immediate time, I would have to say the answer is no. However, there are indications that we may be headed for something new.

The legacy of Reagonomics is likely to have results that will cause us to look once more for new governmental responses to economic problems. Work such as that done by this committee preserves and develops a storehouse of information, propos-

als and programs that become part of the stock of knowledge that we eventually draw upon, even if in the short run these bills are not adopted. But there is something more that we can learn from the last seven years, and from Ronald Reagan. That is the ability of ideas and vision to excite and lead. He has taught us the importance of having a dream and learning to think big.

Ronald Reagan brought to the presidency the gospel of supply side economics and now after almost seven years we can evaluate some of the results. It's clear that he has had some important successes but also clear that he has has had a lot of failures. He spoke against big government, unbalanced budgets, unemployment, inflation, and also evil empires. Most of these ills were to be corrected rather painlessly through the application of various forms of supply side economics. Many of his predictions and forecasts have been further from the mark than that of any other American president. There have been some significant accomplishments during the Reagan administration, especially regarding GNP growth, economic stability, price stability, job growth and a decline in official rates of unemployment. However, the facts remain that regarding GNP growth and employment, two areas that are often touted as the great achievement of supply side economics, the Reagan record is no better than that of the preceding administration. Furthermore, this has been achieved through reckless economic policies, the consequences of which are likely to be felt severely during the next recession.

There is no reason to believe that Reaganomics has resulted in the repeal of the business cycle. By hyperstimulation through tax reductions and a huge military buildup fed by record deficits, this administration has succeeded in delaying the regular rhythms of the business cycle. But because of its extravagances it is likely that the next recession will be a very deep one. It is at that time that there will be a more receptive audience for the kind of measures being discussed today. These bills provide the framework for a a full employment economy responsive to improving the quality of life in the nation, extending opportunities and benefits which are still denied to large numbers of the population.

The president has even proposed and economic bill of rights of his own, an idea that was probably inspired, although not given proper attribution, by Congressman Hayes' H.R. 2870. His bill offers a vision for a new American future, based upon balanced budgets and freedom from taxation, that expands and protects the quality of life of the privileged. The Hayes bill promises instead economic rights that will improve the quality of life of the majority of the population.

The president has had access to a bully pulpit and has used it most effectively. He has not quibbled at the margins or indeed hesitated over hugh discrepancies that have appeared in his program. Compare Ronald Reagan with the advocates of full employment. Liberals used to tear each other apart in disputes over the existence and size of both the cost and inflationary impact of reducing unemployment. Forget about full employment—that wasn't even in the realm of serious discussion. How puny and petty our past arguments now seem, flinching over prospects of expenditures of a few billion, anxious about tightening labor markets, concerned about the inflationary consequences of a budget deficit of a few billion, and challenging, each other with questionable economic projections that were bound to paralyze our will to risk for new possibilities. Perhaps we might learn a lesson from the grand master of them all about ideas, political power and communication, and the need to state our goals with a broad and clear pu.pose. This program for full employment will especially be in great demand at the onset of the next recession, the exact date of which will not be revealed at this time.

In order to further develop the ideas contained in these bills, I urge that consideration be given to creation of a special sub-committee dealing with full employment planning. A major part of the committee's work should be the consideration of which companion pieces of legislation would provide the program and details necessary for a comprehensive full employment program. I hope this sub-committee will continue to be a forum for responding to those new challenges of full employment planning.

Mr. Chairman, members of the committee, thank you for inviting me here today to participate in this discussion which I hope will bring the goal of full employment once more to the center of the political agenda.

Mr. MARTINEZ. Thank you, Dr. Moses. That was very, very interesting testimony.

I like the way you started out, two different worlds we live in. The truth of the matter is that for many Americans there are two different worlds.

You know, with some people in this country, if they're rich, comfortable, and have nothing to worry about, they say it's enough for you to be free. What good is to be free if you're starving? I don't think that's what we intended when we developed this country, just to be grateful that we're free. Because we can't really be free if we're starving. There's no way we can express ourselves if we're starving. We're starving in a lot of ways.

But you know, I want to address something that concerns me, because maybe I read too many things, you know, and conflicts often arise in my mind over the things I read. But I read an article recently concerning Americans economic growth, something like, "Who's Buying America." And it seems the growth we've known is due in large part to foreign investment. The Japanese are building factories here. Most of the video cassettes you buy, and audio tapes, are actually made by Japanese companies. The Japanese are opening, in the Maquiladera concept, factories along the borders. They use the cheap labor on that side, doing the small portion of high tech work on this side, then claiming and bragging that they are creating jobs here in the United States. But all of this contributes to the great figures that we hear repeatedly.

But is that growth, and as our friend from the CWA said, is that growth only benefitting the very few? And are the rich getting richer and the poor still getting poorer? If you look closely at the actual figures, that's how it seems to be.

You know, as far as the Government being an impediment, I wonder if Iacocca thought it was a Government impediment to guarantee a loan for him to save his company. There are many people in this country who think that was corporate welfare. I don't share that opinion. I think it was an important thing to do, because it saved jobs. And again, we're talking about jobs here. You know, what a lot of people forget is that people are units of production. And with companies, a unit of production is the most valuable asset they have. And those units of production are what actually provide the profit that they make. And they ought to be damned concerned about it. But sometimes it seems that in an effort to hide the fact that they lack the developing-marketing skills they need to be competitive worldwide, they blame the high cost of labor.

So I think that we are living in two different worlds. But in terms of Government impediments, I've seen all kinds of deregulation recently. And in the process we've seen the breaking up of unions. And they've gotten greater white-collar tax breaks, greater breaks in anti-trust suits, which have all but halted now. Corporate regulations have been eased to where we allow takeovers and a lot of things that actually cost us jobs. And so even though there's been a removal of Government impediments, we still see the growing deficit both in budget and trade.

So what are these Government impediments now? We've removed those things that supposedly had caused a greater budget deficit and a greater trade deficit. I don't understand that. The Government is involved in this deregulation effort, to remove impediments and create better situations, but actually have not. There are more people living below the poverty line than ever before and there are more people unemployed. Never mind the

growth rate. My father used to say, figures never lie. And then he used to follow that up with something that I've improved a little bit, but prevaricators often do use figures to distort the truth. And the fact is that there are more people living below the poverty line than there were six years ago, even though recently it has decreased a little bit.

Every year we have emigrants coming into this country and adding to the work force, which skews the numbers. There are increasing numbers of people dropping out of high school, 50 percent of Hispanics across the Nation, unqualified for any kind of a job. And if we look at the ads in Virginia, we see those ads are for minimum wage jobs, not jobs with futures. The reason the ads are there is because people don't want to take those jobs. Instead, they're looking and hoping for a little better job with a little better wage so they can afford the things they need to maintain a reasonable standard of living. If you offered me a minimum wage job, I'd rather keep on looking for a better paying job than take that one, because I know my skills and my abilities are worth more than that. There's many people that feel that way.

Is it going to be dishwashers or high tech? That's the question. I think that if we talk about providing advance information to employees about plant closings, there's a reluctance of companies and corporations to provide that information, even when they're going to close down. And they don't care whether or not that person has a job to come to the next day, as long as they protect their interests. Now in Canada they don't do that. They've come to terms with advance notice. And they've found it's also beneficial for the corporations. I know from my own experiences in my district, business and corporations have had the good sense to realize that full information is as beneficial to them as it is to the employees. They've sometimes found out that it worked to a greater benefit than they even thought, as some have been able to save their businesses by sharing that information.

So I think, you know, there's a point in time and I think you've addressed it. And if you asked in the beginning where you were between the two thoughts expressed here, I think you're right on target. I want to commend you for that.

Mr. MOSES. Thank you.

Mr. MARTINEZ. And just I would like you to respond to some of the things I've said from your own information and experiences.

Mr. MOSES. Yes, I think, Congressman, you point out a very important question which is being argued now. Are we indeed, and I notice Dr. Rahn has some of the data in his own presentation attached which I'd like to look at when I have a chance, the question of as we move more into a service economy, are we moving increasingly with the job expansion? I don't mean in attributing this to President Reagan, it's just because it goes before President Reagan. We have been in a post-World War II movement to a service economy where in 1958 we reached a point where 50 percent of Americans who were employed were in service employment. Today it's about 73 or 74 percent, depending on how you want to count that.

That's been a long term trend and we've always had to deal with the question of what does that shift mean? Does it mean higher tech, higher skilled, higher wages? Or does it also mean lower

skilled, lower tech, lower wages? And there's both extremes in there. And I don't—I would comment off the cuff about just taking that data and trying to disaggregate it, is a massive job. Are we in a transitional state as we go to an even more 75-80 percent service economy with the big shocks of the last couple years, the impact of the computer, the information revolution, certain dimensions of international trade. What will be the increasing shape of the American labor force? There's no question an overwhelming proportion of the new jobs tend to be lower wage, lower skilled, but there's the other extreme. And education and training is one way of expanding that part of the other extreme.

And to the extent that we do get into this on the downward side of the service economy expansion, with the massive expansion of low paid jobs. And that becomes a competitive factor to what you mentioned, people who would rather not work than work in those jobs. We get a serious problem regarding the economic future of this country. And part of that relates then to family factors, social factors, the fact that we know—the family income levels that have remained the same or increased all because you've got the second earner. Sure family income has risen. It's risen because of the second earner, not because of the income of the first earner, which has declined significantly in real income. And this is something we just can't deal with through legislative mandate. Some of the facts of the international economy and domestic economy that would confront anyone. But I think the education and training orientation of some of these bills is very critical here, very, very critical.

Because only by upgrading the labor force and investing in the labor force, the dropouts, unemployed people, mid-career changes at age 40 or 50, who are increasingly being displaced through industrial change. Only by investing in their retraining do you lay the basis for getting a labor force on a higher level that will be more productive and then upgrade the economy in all the ways we're talking about.

So I think you've pointed out a very important point here that really has to receive attention. When we talk about full employment, we don't just mean everybody employed at Burger King. I don't mean to deprecate Burger King. We do mean education and training and programs to upgrade the skill levels of all people who seek that opportunity, who seek that opportunity to education in order to accomplish that goal.

Mr. MARTINEZ. You know, the funny thing is that McDonald's average wage is higher than the minimum wage, considerably higher.

Mr. Bahr.

Mr. BAHR. I'd like to make just a couple of comments, Mr. Chairman.

When we tend to think of the jobs as we refer to them that have left our shores, we look at them as blue collar, the steel, the auto and so on. And we have tended then to look at the so-called high tech service industry as one that will pull us out of the doldrums.

Well let me tell you what is happening now to some of those so-called good jobs as a result of computer driven technology and satellite communications. Travelcro Company in Dallas is now in the People's Republic of China where they train college students, not

on how to read and write English, but just how to understand the English alphabet. And upon their graduation they are employing them at $1.00 a day to punch information into huge data bases that are now located in the People's Republic.

And some of America's major corporations, some of America's major hospitals today are storing their records in the People's Republic. And because of computer technology, satellite communication, it's easily retrievable. American Airlines used to do its billing in Tulsa, where key punch operators worked at $8 or $9 an hour. Today it is done in Barbados for $3 a day. And I can give you example after example after example, where the technology now is permitting the very jobs that were supposed to be created to offset the loss of the blue collar jobs to follow the same route.

The other area I'd like to comment is the question of worker education, both from the pre-job period as well as the post-job period. In the first 7 months of this year, and I'm sure Major Owens is very much aware of it, New York Telephone interviewed 90,000 workers in New York City to fill 2,000 entry level jobs that did not require a high school diploma. Eighty-seven percent of the 90,000 could not pass a relatively simple test. I think it says something for the educational system.

But if we are going to be successful in the long term in this country, as the world continues to shrink, the concept of continuing workers' education must be a reality. We do have it in a few industries now as a result of collective bargaining. And we're proud that in our negotiations with AT&T last year, we established what is known as the Alliance for Employee Growth and Development, which is a jointly owned, non-profit corporation that has as its charge dealing with potentially laid off workers and displaced families. But over the long haul to provide for ongoing, continuous worker education, both job specific as well as career oriented, and perhaps a career with another employer. And as a result we have changed our thinking from job security to employment security. Because we came out of an industry where an 18 year old can graduate from high school, go to work and stay there for 40 years in even the same building. That, of course, no longer is there.

So where you have continuous education, where you have the willingness of employees to take the training and a more mobile society, we then can be in a greater position to provide employment security in this country. But it raises another question. How many of the ATT's are there that are willing and are progressive enough and have the revenue to endorse this?

So I think it's in the best interest of our Nation over the long haul for the Chamber, for the AFL-CIO, and the role of Government to be working together and not only in the pre-job education, but certainly in continuous worker education.

Mr. MARTINEZ. Would you support a concept whereby an employee and employer alike would contribute to a fund so that should a factory close, or employment cease to exist, there would be monies there to educate or train that person for other employment?

Mr. BAHR. There's no easy answer to that, Mr. Chairman, because there are a vast majority of workers today that couldn't afford to divert a nickel an hour, or whatever it may take, from their wages. They're living paycheck to paycheck to paycheck.

We get into this concept when employers now suddenly want to talk to us about profit sharing, and as a way of making us more competitive, and having workers put more of their income at risk. Now it's one thing for a manager who is in the six figure bracket to put his wages at risk, but that person who's making $300 a week, I submit to you, has no leeway to put anything at risk. And we in the AFL-CIO are discussing this concept. I certainly don't dismiss it. I think it's one avenue to look as dealing with the future of this.

Mr. MARTINEZ. Thank you.

I know you'd like to respond to some of the comments that were made, Mr. Rahn, but before you do, I'd like to ask you to incorporate something into that response.

And before I say what I'd like you to include in your response, I want to say from the outset that I read the Power of Positive Thinking by Norman Vincent Peale and I subscribe to the theory. I also learned that there are realities to deal with even in your power of positive thinking.

In that regard, I understand that it's good to cite positive figures that show good growth rate and wonderful things happening and we have to keep good thoughts so that good things will happen, but there are realities. Would you incorporate, into your responses to the other comments you've heard, why you think we have such a high trade deficit and budget deficit, and why the poverty levels are so great in light of the great growth rate?

Go ahead.

Mr. RAHN. Thank you, Mr. Chairman.

I think, first, I want you to understand the U.S. Chamber of Commerce is as interested in full employment as anybody in the country, or as any of the rest of you are. It is, first of all, our people are as compassionate as anybody else. And also it's in the interest of American business. If you have full employment, you have more workers generating higher real incomes and you have more customers. We all want full employment. And our only discussion, it seems to me, or difference of opinion, is perhaps how to get there, and how is the most effective way to get there.

Also, I try to be very careful with the figures I present. I never try to mislead people with data. We try to check and double check all of our data. There are problems. As I mentioned in my earlier remarks, and I don't want to imply that everything is nirvana out there. But I also think that as important as it is to focus on the problems, it is important to focus on what we have done correctly, and what things have improved and what set of policies brought about the improvement. And there's a couple of numbers here I feel it is important to correct.

It is indeed true that inflation adjusted real wages declined from 1973 through 1983. However, since that period of time inflation adjusted real wages are increasing. It is indeed true that the rate of poverty increased in the ten-year period 1973 through 1983. But it is also indeed true that the rate is now falling, and that's even without counting in kind benefits. The data I'm presenting to you, and I'd be happy to go through, back through all the sources, some of it's presented in my testimony, is all strictly Government

sources. They're not things that are developed or made up at the U.S. Chamber of Commerce.

It is clear that we have made a lot of improvement. Now it was mentioned earlier, this is a Keynesian recovery. It is no such thing. Again, you go back to the predictions of the leading Keynesian economist in 1981 and you look at their predictions and testimony before various Congressional committees, and versus what happened, I mentioned this earlier, versus those of us who have commonly referred to as neoclassic or supply side economists, and I think it is unambiguously clear that we were much closer to the mark than the Keynesian economist. You take a look at Western Europe. Western Europe, for the most part has followed Keynesian policies of increasing marginal tax rates and Government spending. OECD Europe has a higher average percentage deficit, a percentage of GNP, than we have had. They have had much higher tax rates. They have had virtually no job creation, and for the most part very close to stagnant economic growth.

Also, when I cited my economic growth figure, I said from 1983 to the present date, the average of rate of real GNP growth has been 4.1 percent. I stand by that. You can check the data yourselves and you'll find it indeed is true. The reason I picked 1983 is because that's when the new economic program was largely implemented of the reduction in the marginal tax rates. Average tax burdens have not been reduced in this country. The average tax burden right now is about the same as when Jimmy Carter left office. But the difference has been in the structure of taxes. We have broadened the base and brought down the high marginal tax rates and most notably the tax reform that you gentlemen passed this past year.

Now you asked me about both the trade deficit and the Federal deficit. From the standpoint of the Chamber of Commerce, we have not been happy with the Federal deficit. There is plenty of blame to go around. It is indeed true that the Reagan Administration never once submitted a budget that hit their own target levels as proposed in their 1981 game plan. And we have been critical of the Administration on that. It is also indeed true that the U.S. Congress overspent what the Reagan Administration proposed in their budgets by about $92 billion in the period from 1981 through 1986. And my source on that is the Congressional Budget Office.

Third, the Federal Reserve also ended up causing much higher deficits, because in 1981, late 1981, and early in 1982 they collapsed the growth of the money supply. And this was far lower than either the Administration or you members of Congress had anticipated. You budgeted to what you considered a higher level of inflation to real growth, the higher level of nominal GNP. This put us up at a permanently higher level spending level. Instead we have to give the greatest credit for bringing down the rate of inflation. They, more than either the Administration or the Congress were the primary reason that inflation fell. But the Fed is also the primary culprit in bringing us about the 1981–1982 recession, and the fact that we end up with a higher level of spending than either you gentlemen or the Administration had proposed.

In terms of the trade deficit. The trade deficit has a number of sources. And it is limited to what either the Administration or you

in the Congress can do about it. The trade deficit, in large part, comes about the fact that we have had a higher rate of real economic growth than our foreign competitors. And if your customer is not growing as far as you are, if your income is rising more rapidly, you will tend to buy more from him than he will from you. And even, you know, the Japanese have done no better than we have over the last 5 years, and as I mentioned Europeans have done significantly worse. So they've not had the buying power to buy U.S. exports anywhere near as rapidly as we have had the demand for their goods and services.

Another problem is the U.S. dollar is still the reserve currency. The Treasury and others have tried to get the Japanese to make theirs also a reserve currency. But as long as the U.S. dollar is a reserve currency, the only way foreign governments can attain U.S. dollars is by sending goods and services to us. This gets complicated monetary mechanics, but it is a fact of life as long as the U.S. tends to be the world's leader in monetary policy, we're somewhat stuck with this unless we move to gold or have a basket of currencies or commodities to back up worldwide currencies.

The third aspect of this is the United States has been very desirable for foreigners to invest, both because we have a stable, predictable democracy where we respect property rights and we've had a higher rate of return to capital. As a result, for foreigners to acquire the dollars to invest in the United States, the only way they can get them is by selling us goods and services. We must remember that we were a debtor country and ran a trade deficit from 1607 to 1914. And the question crosses not so much whether we ran a trade deficit or a debtor country, it is how we use the money.

During the 19th Century, the British sent us the investment capital to build our railroads. We paid the British bond holders off and they were happy. But we really gained from that, because the building of railroads across this country so improved our transportation and industrial structure, it reduced costs, Americans all gained from that investment, because we invested wisely. During the first several years of the economic expansion, 1983 through 1985, it was clear that we were investing most of that borrowed capital productively. This past year it's been more questionable though. The question is now, are we shifting to just borrowing money for consumption? If that indeed is true, then we could have a long run problem, and we would be greatly concerned about that.

Now there's things we can do about that in terms of tax treatment of capital formation and so forth, but that goes well beyond, I think, the discussion that you want to get into today.

I hope I've answered your question, sir.

Mr. MARTINEZ. Yes, you have.

And you know, I've far exceeded my time. And I'd like to go into the history of our country as you just did, because there were depressions in those times before the Great Depression, during that period of time you mentioned. A war brought us out of it for a period of time, and then after the war, there was growth in opportunities for Americans. But eventually that ended in the Great Depression. But I think we'd have to hold another hearing to go into all of that. But thank you very much.

At this time I'd like to turn to the Honorable Gus Hawkins.

Mr. HAWKINS. Let me ask Dr. Rahn, on the question of economic growth, are you saying that 1985 and 1986 were years of economic growth?

Mr. RAHN. Very high rates of——

Mr. HAWKINS. What were the rates in those two years? What's the current rate?

Mr. RAHN. The current rate the first quarter was 4.3. The second quarter was like 2.7.

Mr. HAWKINS. For the first six months?

Mr. RAHN. For the first six months of this year, it averaged about three and a half percent.

Mr. HAWKINS. I think it's either 3.4 or 3.5. I've forgotten which.

Mr. RAHN. I'll give you the exact number.

Mr. HAWKINS. It was either one or the other.

Mr. RAHN. The first quarter was 4.4, the second quarter 2.3, and that works out to about 3.3 for the first six months.

Mr. HAWKINS. I can't discover all this 4.5 or 4.4, whichever you said.

Mr. RAHN. I said 4.1 on average since 1983.

Mr. HAWKINS. You're counting in the 1983.

Mr. RAHN. I'm counting 1983, 1984, 1985, 1986, and the first half of 1987.

Mr. HAWKINS. It started out with a very high growth rate in that period of time.

Mr. RAHN. It started out at first at three and a half and then went up very high and then it dipped back down, but that's the normal pattern of an economic expansion.

Mr. HAWKINS. It's the normal pattern for a recovery period. Don't forget that we're recovering from the worst recession since the 1930's. And obviously if you take 1983 as compared with the 1981–1982 recession levels, it would be tremendously high, but it still is not high enough to put the unemployed to work, because it's merely a period in which you are dealing with a 10.8 percent unemployment rate.

Mr. RAHN. Mr. Hawkins, if you want——

Mr. HAWKINS. And obviously if you want to get down from 10.8 to what we have experienced since then, you would certainly have what looks to be good recovery.

Mr. RAHN. Mr. Hawkins, if I could just reply, just one moment to that.

We have had the highest five-year continuous peace time expansion in our Nation's history. Never before in our history have we had as long a period. And having as high of average rate. You were indeed true that the 1981–1982 recession was a severe recession——

Mr. HAWKINS. Well, we haven't had that——

Mr. RAHN. But we had very high unemployment rates. However, if you go back and you look at the testimony of many of Mr. Carter's economists and most other economists in the late 1970's, at that point they were saying full employment was in the low 6 percent rate. We have already exceeded that. Now, I'm not claiming we have full employment and I want to do better than we have.

Mr. HAWKINS. Let's not get away from the growth rate. Including since 1980, what has been the growth rate, the average annual growth rate, in real terms?

Mr. RAHN. I think it's been about two and a half. That covers two Administrations.

Mr. HAWKINS. Two and a half since 1980. Now that's what we should be dealing with.

Mr. RAHN. No, we should be dealing with the correction in policies. We went on a new course of economic policy and the question is, did that policy work or did it fail——

Mr. HAWKINS. Too, under the same fiscal restraint, under the high interest rates of the Federal Reserve Board, which produced these recessions. And so you have a lot of people who were harmed by two successive recessions and who are still suffering. Now you can't say that there's been recovery, when you have such an enormous extent of poverty. I think you mentioned that.

You've got to admit there are around 33 million Americans now in poverty. Now you can't say that is recovery.

Mr. RAHN. I say the rate of poverty has been declining. It rose from the decade of 1973 through 1983. It is clear to me that we were engaged in a set of policies during the 1970's, and it covered both Republican and Democrats, there's plenty of blame for everybody to go around, that resulted in lowering of wages and higher rates of poverty. It is also clear that when we reverse the course of economic policy, you members of Congress reducing those high marginal tax rates, that that change brought about an improvement in the situation.

Now I want to continue to improve, and I want to make sure we bring down those unemployment rates and we continue to increase real wages. And I sometimes get disturbed when I see people recommending going back to the policies of the 1970's, which clearly failed us. That's the point I'm trying to make.

Mr. HAWKINS. Well it depends on what years you're talking about. You select certain years and say the policies are working well. Some of us don't see it. And I don't think statistics will bear you out. If you have 33 million people today in poverty, and if you have the real unemployment rate, counting in the discouraged, counting in those who work part-time, then you have a rate today that's closer to 10 percent and not six.

Mr. RAHN. I don't accept that number, sir.

Mr. HAWKINS. Well——

Mr. RAHN. I don't think the data breaks that out and——

Mr. HAWKINS. I know you don't.

Mr. RAHN. And you'd have a higher percentage of the adult population employed at any time in our Nation's history. And that just basically contradicts, I think, the point you're trying to make.

Mr. HAWKINS. Well, look, I heard you say then——

Mr. RAHN. I'm sorry, I just don't agree with it.

Mr. HAWKINS. I've heard the President say that. But population has increased——

Mr. RAHN. I'm talking about the percentage of the adult population.

Mr. HAWKINS. Well, I'm talking about jobs. Population increases each year, so you should have more people employed.

Mr. RAHN. True.

Mr. HAWKINS. Now, you've got to——

Mr. RAHN. But you're also getting a higher percentage.

Mr. HAWKINS. If an individual is employed, let us say at a rate that's impossible for an individual to live on, you count that as a job, it isn't. And if you count a person who the previous period of time when the official statistics will go out and say, well look, did you work two hours a week in that period of time, and you count that as a job? Obviously, that isn't a job. You can reduce wages until it becomes profitable for welfare recipients to employ each other. Now are you going to go back to that type of economy in which individuals you count everything.

On a net basis the ones who have lost the most during this recovery period have been white males, on a net basis. They are the ones who are at the lower end of the income level scale. Now we talk about minorities and we accept them. It's normal for minorities to be unemployed. And it's normal for Blacks, Hispanics and the poor Whites in Appalachia, we rub them off and say it's normal for them to be unemployed. But now during this period of so-called recovery, the ones on a net basis who have lost the jobs that paid well, and are now earning at the lower end of the wage scale less than $10,000 a year are White males, by and large. Percentage wise they've lost the most.

And I don't know. I just think that to credit these to the policies of the Reagan Administration, to me, is a travesty on truth. Sure, in the 1981 tax—if you want to get back to that. That was the worse thing we ever did. Because what we did, despite the increasing need of the low and moderate income people, we granted great tax relief to those in the higher brackets.

Mr. RAHN. The fact of the matter is, the tax burden has been shifted markably from the lower income to the upper income groups. And your top ten percent of your taxpayers are now paying a higher total percentage than they did in the past. It is also the fact that of the new jobs being created, 46 percent have been in the high wage category, $28,000 or higher. Only six percent have been in the low wage category. And that is a remarkable shift from the 1970's.

Mr. HAWKINS. When I look into your report here and I see the individuals that you're quoting, where apparently your ideas come from, according to Heritage Foundation, which has been the main one to attack worker education and education in general as a matter of fact. They advocate virtually that we do away with the public school system. They think we're spending too much money on the so-called disadvantaged. We should concentrate the money on those who are so-called talented and the ones most deserving. You quote Walter Williams. He's always quoted by those who want to pick up something, and he's quoted as a Black, apparently to discredit Blacks in general.

Mr. RAHN. Walter Williams is an extremely distinguished economist who is a friend of mine, and I don't think we ought to disparage him because he's an outstanding American.

Mr. MARTINEZ. Let me remind you, Dr. Rahn, it's not polite to interrupt——

Mr. RAHN. Well, I resent disparaging an outstanding American——

Mr. MARTINEZ. You're interrupting——

Mr. RAHN [continuing]. Like Dr. Williams.

Mr. HAWKINS. It isn't a disparaging remark. I say that Walter Williams is quoted as a Black, whenever there's a tendency to really discredit all of the Blacks.

Mr. RAHN. I consider that a disparaging——

Mr. HAWKINS. And you go out to Stanford and you select a soul who has written a recent book fighting affirmative action. And he wouldn't be at Stanford if there hadn't been affirmative action, because there's no other reason for Stanford to employ him as a Black, except they wanted to increase their percentage.

Mr. RAHN. I think that's a racist statement and I think it's untrue.

Mr. HAWKINS. Well, it is a statement that I am making and I would—and Charles Murray, now you have collected all of the discrediting individuals that can possibly be used to discredit full employment. And yet you say you're for full employment. Now you have a strange way of getting it when you quote these individuals. And I think you ought to get some better sources of information to quote then.

Let me ask you this. Let's get on something positive, because I don't accept the sources of your information.

Let us get on something, worker education. And let me go to the private sector. Recently the Committee for Economic Development issued a report, Children in Need, a very excellent report. Now this is a group of corporate executives issuing a report, and in their report they indicated that we were not spending sufficiently on educating a work force, and they included Chapter 1 and preschool education as being of primary importance to the education of our children, starting at the early grades and going through high school. They had other programs, but I just don't have time to mention the other recommendations.

Now let me ask you, does the Chamber support that recommendation that we should be spending more in the field of pre-primary education, that we should be fully funding compensatory education in order to educate our children for the future, and that we should be encouraging them to go into college with student aid programs and what-not grants and what not? What is your position on this, because I think this strikes very hard at productivity, at what you want, what we want, and some recommendations like this, it seems to me, would place you in a much better light than quoting the type of individuals that I've mentioned. But staying with, let's say, the CED report.

Mr. RAHN. The U.S. Chamber has consistently supported a much stronger educational system. We've been concerned about failures of our educational system in certain areas of the country. We have supported public education. We now have a committee studying that particular report. And I don't believe they've come out with all their recommendations yet. And as soon as they do, of course, we'll forward them to this committee. The U.S. Chamber realizes as much as anybody that we need an educated work force.

We are as concerned as any group in the country when we see people graduate from the high school who don't have the fundamental skills. We think this is a National travesty and much needs to be done about it. And we, of course, have supported strong public education. Getting to the specific proposals of that report, as

I said I know it's under study at the Chamber and I'm not yet aware that they've come out with specific recommendations on it.

On the broader issue, I would just implore the members of the committee or your staffs to go back again to the period of 1980, 1981, look at the testimony before a particular Ways and Means and Senate Finance Committee, by the economist of all stripes, Walter Williams and Tom Soul and the people on the left, look at their recommendations and their predictions. And look what has happened. And I think much of the truth will come out of that.

Mr. HAWKINS. Well, what is the truth?

Mr. RAHN. The truth is and I think you missed my opening statement, Mr. Hawkins.

Mr. HAWKINS. Do you support these programs that for 15 years have been operating so you've had time to assess them the same as the CED, and——

Mr. RAHN. Well, for instance, we've supported educational vouchers as an alternative, which is I think a way of bringing competition——

Mr. HAWKINS. Well, do you know that you're one of only about two groups in the country who support vouchers. Obviously, from what you've been reading, you would support vouchers, because it's a destruction of the public school system. That's what it adds up to.

Mr. RAHN. It's not at all, sir.

Mr. HAWKINS. Well, let me get away from vouchers and things that you and I disagree on. I'm trying to get something we can agree on. You say you're for education.

Now, here are programs——

Mr. RAHN. The question is how do we bring the most effective education in? Right now we have to admit that certain of our educational programs have not worked.

Mr. HAWKINS. But do you think that Headstart has worked?

Mr. RAHN. Yes.

Mr. HAWKINS. Do you think that compensatory education has worked, Chapter 1?

Mr. RAHN. In some cases. And I think there's also been some problems.

Mr. HAWKINS. But generally speaking, overall?

Mr. RAHN. Yes. I think a lot of it has worked quite well.

Mr. HAWKINS. Okay.

Well, does the Chamber support funding them then?

Mr. RAHN. Yes, we have.

Mr. HAWKINS. Fully funding those two programs?

Mr. RAHN. Well, I'm not quite sure about fully funding——

Mr. HAWKINS. Well, do you believe that if it works for 18 percent in the case of Headstart, that it probably would work for the other 82 percent and therefore the 82 percent should not be denied?

Mr. RAHN. We have tried to look at program by program, of the various public Government programs, educational and job training programs. Those that are clear winners, we have supported. Those that haven't worked particularly well, we've said let's take a look and try to change these things. We have not been flat out opposed any of these. We have been strong supporters of a strong educational system, and—you know, you try to take a look at the most

cost effective way of getting to things. And some of our concern has been programs that clearly have not worked——

Mr. HAWKINS. Which are the ones that didn't work?

Mr. RAHN. I will get you the list. I'm sorry, I am not that prepared today to go into the specifics of those programs, but I'd be happy to supply you with a list.

Mr. HAWKINS. And you support that Headstart has worked, should be funded so that all the kids entitled to it would get its benefits? Do you——

Mr. RAHN. Just so I'm totally accurate and because I don't want to misspeak myself at all and make sure that I have all my data correct there, because I don't have all that with me today, I would prefer to send you a letter detailing it out of our specific positions on those various programs.

Mr. HAWKINS. We would appreciate it on both Chapter 1 and on Headstart, and the other programs that you would agree would have been reasonably successful. And also stipulate the ones that you think should not be supported, the ones that have not proved successful?

Mr. RAHN. I would be pleased to do so.

Mr. HAWKINS. Thank you, very much.

Mr. MARTINEZ. Thank you, Mr. Hawkins.

Mr. Hayes.

Mr. HAYES. Mr. Chairman, I'm going to be as brief as is humanly possible and live within the time constraints that we operate on if possible, as we try to deal with this very important issue of full employment.

And Dr. Rahn, please believe me when I say that I firmly think that you occupy more influence in the organization that you represent with this Administration, and unemployed, and poverty stricken people too. You have a lot to do with the sense of direction which they're traveling. And I don't think you're about to relinquish that influence without some action on our part.

I am not interested in the kind of employment, full employment, we had as Blacks during slavery. We were fully employed, my ancestors told me. And I'm not interested in that. I'm not concerned about whether or not I go back to thirty bucks a month that I got when I was planting trees on the banks of the Mississippi River as a part of the Civilian Conservation Corps. It was a necessary function. It was not—and at that time we had soil erosion, you've got it now. You've got flooding and everything else. You've got a need for this kind of work.

I don't think the private sector—I think this is a basis for our disagreement—is really concerned about jobs for people as they are being motivated by their profits. And this goes directly to my first question, Mr. Bahr, as head of a union.

You mentioned the hearings which I've been a participant in for Jobs with Justice. I was in the Miami hearing. And we got testimony from your union, and we got testimony from the flight attendant's unions, and from the Airline Pilots Association, and some others. I come from the industrial sector, you know. They are concerned, and I want to know from you if you think there isn't some necessity for some legislation? I don't know—I don't think this is necessarily, any of these three bills we're talking about, cover this.

Not from the point of view of protection. We got the situation now where mergers and buyouts, while not limited to the airline industry, are really making jobs disappear at a really accelerated rate.

When Texas International, and you might address yourself to this question too, Dr. Rahn, can take over Eastern Airlines, eliminate a certain amount of jobs. Texas International can take over Continental Airlines that used to have union pilots and union workers, after they have reduced their rates of pay, which they didn't need in order to reap the profits that they want, without consideration to what happened to the fate and the jobs of those people. It's my opinion did we need some legislation in this area, really badly need it. And I just don't know—I'm sort of at a loss.

When I go into Cicero, Illinois, and stand at a mass meeting along with the Mayor of the City of Chicago and one of the aspirants for the Presidency of the United States, but more important than their participation was those 1,500 workers who were employed by General Electric Company, who had been notified that the next two years that plant where they produce small refrigerators is going to go out, or they're going to close that plant, that section of it, which will effect 1,000 jobs and combine it with the same company's plant in Decatur, Georgia, which is unorganized, without even being told. The rates that they pay in Decatur, Georgia are much lower than they pay in Cicero, Illinois. But more important the rate, they are non-union. And the fact is that I think that the Federal Government has a responsibility to at least do something in the way of legislation. Even at a time, Dr. Rahn, that the Chamber of Commerce had a greater control and influence over not only the Executive Branch of our Government—I think they have a great influence over the Legislative Branch. I think there's a human interest issue involved that goes beyond partisan politics.

And I would just like for you to answer for me—Mr. Bahr, you can answer to me if you think there is need of legislation in this area, and Dr. Rahn, if you'd just let me know as to whether or not you can see the human issue involved in this question of loss of jobs through plant closedowns, mergers, and yes, the loss of jobs to foreign interests in the quest of unorganized cheap labor. This is part of our problem.

Mr. BAHR. I think, Mr. Hayes, you made the argument. But let me just make a couple of comments.

If we could stick with a moment with Continental and Eastern. To put the pressure on Eastern, which is organized, Continental is now saying unless you agree to give back even more than they gave back over the years what we will do is simply repaint the Eastern Airline airplane and put a Continental logo on it. And thus it becomes a plane that's operated at half the rate that the Eastern is. And under our present laws, that's perfectly permissible.

Now the debate that went on for labor law reform back in 1977-1978, if the American labor movement has its way won't take place again in that form. We are, and we hope that as a result of this committee's hearings around the country, where we did not discuss legislation, but are rather saying and urging you to conduct hearings as we have had to elevate to the consciousness of the decent

Americans in this country who are by far the overwhelming number who are not aware of what is happening.

The ability of a company to permanently replace a worker was resolved by the Courts in 1938. That a company had the right back in 1938 to permanently replace a striker. We don't have any records of it being used. I'm sure that maybe somewhere in the archives—until after PATCO. When suddenly it became fashionable for a company where there were labor relations for 30 and 40 years, to say well why not me. To where in the paper industry today, where the paper workers union is under severe attack. Not by companies that are marginable, but by the Boise Cascades and International Paper.

To where had I thought about it, I would have brought copies of the advertisements, advertising for permanent replacements in the event there is a strike. Now I ask you, what type of free collective bargaining that was thought of in the original Wagner Act could take place under that kind of threat?

And so where in 1978 we thought that labor law reform, which missed by one vote in the Senate, might have changed this, we are coming around to think that in 1989 when there'll be the 101st Congress. There'll be a new Administration in the White House. And it will also be the 200th anniversary of the Bill of Rights that indeed there should be a workers' rights. And it goes, I think, somewhat along what you're talking about in relation to economics. I don't know how you separate economic and human rights from workers rights, because it is a fact as I stated, when you go through the factory door you suddenly lose the rights that you have as an individual. And we think that has to be changed.

Mr. RAHN. On the airline deregulation case, clearly we have to look with the interest of workers, owners and consumers. But I think the facts are rather overwhelming. Since airline deregulation the average air fare dropped considerably. As a result we have twice as many people now flying as passengers, as we did in 1978. I find a lot of the folks who want reregulation are those, and I have to include myself as one who normally flies on somebody else's expense account, because we don't like to crowd into the airports. Now that we have all these other people flying. But people who are out there who can now get to see their friends and relatives at much lower fares than they could in the past, and grandparents who hadn't seen their grandchildren, but now visit them, because airlines have come, to go ahead and deny them that opportunity, I think would be a great mistake.

It is indeed true that some workers, some managers, and some stockholders have been hurt as we went from the transition from a regulated environment to a deregulated. But I also think it is true that millions of Americans now enjoy the freedom to travel around this country, which they didn't used to have because of the old high air fares.

Mr. HAYES. Dr. Moses.

Mr. MOSES. I just wanted to make a remark for the record.

I think the dispute before about interpretation of economic data, first citation and then interpretation, the dispute between Dr. Rahn and myself which has been carried on longer by Congressman Hawkins, really reflects part of the problem of this analysis as

it relates also to the full employment issue. And that is depending where on the cycle you take your cutoff date. We're on the business cycle. Dr. Rahn chooses—and that's legitimate—he chooses 1983, which is the beginning of the recovery. If I chose 1981 I'd get different data, which is before the recovery—before the great recession, that is, which preceded the recovery.

However what is key to our long term analysis as it relates, I believe to the discussion of the legislation today, is that I don't think anyone would argue that Ronald Reagan has permanently repealed the business cycle. Regardless of whether one attributes the recovery to changes in marginal tax rates or as I do, more to fiscal policy, Keynesian-type techniques based on military expansion and deficit expansion and certain kinds of tax reductions.

So I think it basically was a Keynesian-type stimulus far exceeding that that all the liberal Democrats would have ever dared to propose. The Democrats got nervous and Republicans got nervous pre-Reagan when the deficit went to $20 or $30 or $40 billion. That was out of control. Now to me when it seems the deficit is hitting $200 billion area for a three-year period, we're talking about a massive stimulus. But even with this massive stimulus I don't think there are many who would argue that this is a permanent fix for the economy. The economy is on a fix now tied to that stimulus. But eventually the driving basic truths of our kind of economic system will reassert themselves. We will go through a cycle. I don't know if it starts tomorrow, or next month, or six months, but that it will come is clear, I believe, based on our previous historical experience.

And it's at that point when the cycle reasserts itself, when we go into a dip, that the interest, I believe, will once more return to the types of issues discussed in the bills before us today. And that people who ask me, is full employment still an issue. It's not an issue any more. Things are getting better, the general popular perception. All we need is a mop up bill of perhaps a public service type bill to mop up some of the problem areas. But the full employment basically has been resolved by economic growth and employment expansion, which is a popular perception in the media today. I think that popular perception will last a very short time when we go into our next recession which may be, in fact, deeper than any we've experienced before in the post-World War II period and maybe be deeper, especially because of the current economic policies of deficit driven stimulus, a Government stimulus, driving the economy it never has before, the magnitude of it.

I don't welcome the recession. I hope it doesn't come. I'm afraid when it does, however, it will be so severe in magnitude that we will be forced really to confront some of the basic fundamental issues of governmental responsibility and economic management that are contained in 1398. And it's a shame that we have to have that kind of economic crises to stimulate that kind of discussion in a popular manner, but I think that's been the evidence of history really. That we don't pay attention to those kind of issues until we have an extremely deep recession.

Mr. HAYES. Just let me finish with this statement and one brief question of Dr. Moses.

By background places me in a position as a trade unionist, where I get more discussions, more constituency mail, about this question of jobs, I guess, than any member in this House. I feel somewhat frustrated because it appears sometimes I can't really do anything about it, because it seems the sensitivity is not there among our colleagues, as to the severity of the problem.

I would like, at least for representative business to understand that you can't answer people who want a job when they're reaching the proportions that they are now, by saying that we've had economic growth over the past 10, 5, or 4 years of *x* number. With them, they're in a depression already.

I don't want to see these particular young people—I represent a district that is the poorest district, I've been told, in the whole United States. The first district in Chicago, Illinois. Sometime we compete with Garcia out in New York, it is the poorest district from the point of view of per capita income in the whole United States. Unemployment runs almost 18 percent in that district. Unemployed black youth is 92 percent black, runs almost 40 percent. These are recent figures. So when I talk to them about growth, and where we're going in terms of new jobs being created, they say to me, Hayes where are they?

And I just want to close with this question of you, Dr. Moses. You say in the next to the last paragraph in your statement, I just want you to embellish on it a little bit, in order to further develop the ideas contained in these bills I urge that consideration be given to a creation of a special subcommittee dealing with full employment planning. Just give me a little idea of what you have. Are you saying we need some structural difference up here?

Mr. MOSES. What I meant by that was, Congressman, to focus on those issues, of the broad issues of human rights, as delineated in your bill, as related to full employment, as delineated in Quality of Life, the 1398 bill. And to study ways in which these basic rights could be developed and related to economic planning. That is not to deprecate the work in other bills that is being done, like Senator Simon's which is an attempt to go forward with various undertakings, but I think these issues are so basic and fundamental they require a full attention to them, and I think that the audience is there, maybe small today, but much larger tomorrow.

And in order to be able to respond to that kind of an audience, in terms of shifting economic realities, I think we need that kind of full scale attention. And by the way, I did not mean in that testimony about the creation of a subcommittee, I meant really with a focus on economic rights and relating it to full employment and showing those distinctions. I mean, I think the work that this committee does is far too important to shift it elsewhere, and I in no way meant to imply that.

Mr. HAYES. I wasn't opposed to it. I just wanted to understand it.

Mr. MOSES. Oh, OK.

Because I think the agenda has come out of your own development. It behooves me to suggest—but certainly the creation of a body that would focus on rights which have never been dealt with as related to a full employment economy, and would talk to the needs that you've just described in your local district, in a way that our normal concerns in policy planning and program development

do not do. Especially because it may not be tied into a bill that's immediately here today or tomorrow. But I think it's part of the long term agenda of this country which can't be evaded. Long term, however, may be a very long time.

Mr. HAYES. Robots can't buy cars. [Laughter.]

Mr. BAHR. They don't pay dues either.

Mr. HAYES. That's right.

Mr. MARTINEZ. Is that it?

Mr. HAYES. That's it.

Mr. MARTINEZ. Thank you very much, Mr. Hayes. Thank you Dr. Moses.

As I said earlier, it's always a prerogative of the Chair to have the last word. And before I thank you, that being the last word, I'd like to say that today's policy is the most inconsistent policy I've ever heard. The Chief Representative of the Administration says that we must provide jobs for all Americans so that they might have pride in themselves and confidence in their future, and then promotes policies saying that in order to achieve that they've got to work for less. I don't know how a person can have pride in themselves and confidence in their future when they're asked to work for peanuts. That's not a real job. A sub-minimum wage job is not a real job. I think that when we look at who's benefitted in this great economic recovery and who is benefitting by this great percentage of National growth, we've got to look at it in terms of the entire populace, not just those who control it, or the few at the top. But what's happening to people across the spectrum, middle class as well as those living below the poverty line? Almost everything we do or have done in recent years, determines that. Many middle class people are paying more tax than they ever did. The people at the lowest end who don't have jobs don't pay tax anyway. And if they work at sub-minimum wage or slightly above, they still don't pay tax. So, tax reform wasn't really a great benefit to them.

But when we do things in the Federal Government, we ought to start looking at the total spectrum of people, not just those at one end or the other. For that reason I think these hearings are important, and we intend to continue them. Like you say, Dr. Moses, this is an issue that really has to be aired, and all sides have to be heard. I think that we've got to try to bring more public attention to these issues. And under the capable leadership of Mr. Hawkins, the Chairman of the Full Committee, Mr. Hayes, one of the most prominent members on Education and Labor, and myself as the Chairman of the Subcommittee on Employment Opportunities, we intend to bring as much focus as we can on this issue. Hopefully we will be able to produce some kind of legislation or some kind of policy that will provide a better benefit for all Americans.

And I thank you for appearing here before us today. Thank you.

The hearing is adjourned.

[Whereupon, at 12:22 p.m., the subcommittee was adjourned.]

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